

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF BALDWIN	County LAKE
Audit Date 2/28/05	Opinion Date 6/6/05	Date Accountant Report Submitted to State: September 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

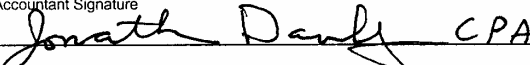
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
		ZIP 49601	
Accountant Signature 		Date 9-30-05	

VILLAGE OF BALDWIN, MICHIGAN

FEBRUARY 28, 2005

VILLAGE OF BALDWIN, MICHIGAN

FEBRUARY 28, 2005

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2005

INDEPENDENT AUDITORS' REPORT

To the President and Village Council
Village of Baldwin, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Baldwin, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Baldwin, Michigan's, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Baldwin, Michigan, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of March 1, 2004.

In accordance with *Government Accounting Standards*, we have also issued our report dated June 6, 2005, on our consideration of the Village of Baldwin, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xi and 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Baldwin, Michigan's, basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Management's Discussion and Analysis

The management of the Village of Baldwin, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$14,272,346 (shown as *Net Assets*), representing an increase of \$2,383,565 over the previous fiscal year. Governmental Funds represented \$156,567 of this increase, while Business-Type activities accounted for \$2,226,998 of the increase.

Fund Level Financial Highlights

- ❖ As of February 28, 2005, the governmental funds of the Village of Baldwin reported combined ending fund balances of \$771,889, of which \$696,031 is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund decreased this year to \$462,274.

Long-Term Debt

- ❖ The Village of Baldwin's total debt decreased by \$47,136 during the fiscal year.

Overview of the Financial Statements

The Village of Baldwin's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, recreation and culture, other functions and debt service. Business-type activities of the Village include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, Fire Fund, 1990 Housing Rehabilitation Fund and the Towne Central Capital Projects Fund. The major Proprietary Funds include the Water Fund and Sewer Fund. Presentation of major funds can be found on pages 38-66 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Baldwin uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue, capital project, and permanent funds.

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the Village. This fund allows the Village to allocate costs of centralized services such as the Village's vehicles and equipment. The Village has one internal service fund.

Component Units The Village's Comprehensive Annual Financial Report includes reporting on separate legal entities for which the Village has some level of financial responsibility. These funds are shown in a separate column. The Village's only component unit is the Downtown Development Authority.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found on page 37 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$14,272,346 at February 28, 2005, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

VILLAGE OF BALDWIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Village of Baldwin
Net Assets

	Governmental Activities	Business-Type Activities	Total Primary Government
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Current and other assets	\$ 907,320	\$ 1,228,839	\$ 2,136,159
Capital Assets	728,826	15,234,733	15,963,559
Total Assets	<u>1,636,146</u>	<u>16,463,572</u>	<u>18,099,718</u>
Long-term liabilities	79,341	3,601,754	3,681,095
Other liabilities	54,410	91,867	146,277
Total Liabilities	<u>133,751</u>	<u>3,693,621</u>	<u>3,827,372</u>
Net Assets			
Invested in capital assets net of related debt	649,485	11,964,733	12,614,218
Unrestricted	852,910	805,218	1,658,128
Total Net Assets	<u>\$ 1,502,395</u>	<u>\$ 12,769,951</u>	<u>\$ 14,272,346</u>

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$1,658,128 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village increased \$2,383,565 in this fiscal year, which is a good indicator that the Village experienced positive financial growth during the year. As a result, the Village ended the fiscal year in better condition than when the year started.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-Wide Statement of Activities.

VILLAGE OF BALDWIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Village of Baldwin
Change in Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	Total Primary Government 2005
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 4,094	\$ 542,542	\$ 546,636
Operating Grants and Contributions	284,474	0	284,474
Capital Grants	102,953	2,486,886	2,589,839
General Revenues			
Property Taxes	151,556	0	151,556
State Shared Revenue	114,992	0	114,992
Unrestricted Investment Earnings	5,949	10,720	16,669
Gain (Loss) on Sale of Assets	8,802	0	8,802
Other	1,291	0	1,291
Total Revenues	674,111	3,040,148	3,714,259
<u>Expenses</u>			
General Government, Administrative	112,133	0	112,133
Public Safety	102,179	0	102,179
Public Works	142,762	0	142,762
Culture and Recreation	44,906	0	44,906
Other Functions	109,511	0	109,511
Interest on Long-Term Debt	6,053	0	6,053
Water and Sewer	0	813,150	813,150
Total Expenses	517,544	813,150	1,330,694
Increase in Net Assets	156,567	2,226,998	2,383,565
Beginning Net Assets	1,345,828	10,542,953	11,888,781
Ending Net Assets	\$ 1,502,395	\$ 12,769,951	\$ 14,272,346

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Governmental Activities

The most significant portion of the revenue for all governmental activities of the Village of Baldwin comes from Operating Grants and Contributions. This figure includes Michigan Transportation Fund (Act 51) money for the Major and Local Streets as well as private contributions.

Property Taxes are a significant portion of the revenue for all governmental activities of the Village. The Village's operating millage in 2005 was 14.785 mills. The Village's charter allows the Village to levy up to 15.0 mills for operations. Due to State statutes and the Headlee Rollback provisions, the Village is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2005, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Village's governmental activities expenses are dominated by the Public Works expenses that total 31.1% of total expenses. The Village spent \$202,889 in FY2004/2005 on Public Works. Expenses in the Major Street Fund (\$67,424) and Local Street Fund (\$36,591) represent a majority of the Public Works expenditures. Public Safety represented the next largest expense at \$168,198, or 25.8% of total expenses within the governmental activities.

Business-Type Activities

The Village's business-type activities accounted for an increase of \$2,226,998 in the Village's Net Assets, or about 93.4% of the total growth in the Village's net assets for the fiscal year ended February 28, 2005.

The Business-type activities of the Village include the Water Fund and Sewer Fund, which provide water and sewer utility services to Village residents as well as commercial customers.

The Water and Sewer activity represents the business-type activities of the Village. Water activity accounts for 33.3% of the total expenses and 28.7% of the total operating revenue of the business-type activities. Sewer activity accounts for 66.7% of the total expenses and 71.3% of the total operating revenue of the business-type activities.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2005, its governmental funds reported fund balances of \$771,889. Of this amount, \$462,274, or 60.0% is unreserved in the General Fund. An additional \$233,757 of unreserved and undesignated fund

VILLAGE OF BALDWIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

balance exists in the Village's Special Revenue funds. The remaining \$75,858 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund – The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$56,709, bringing the balance to \$476,495. All of the General Fund's major functions with the exception of Culture and Recreation and Other Functions ended the year with expenditures below appropriated amounts. Property tax revenues in the General Fund increased \$9,376 in 2005, an increase of 6.2%. State shared revenue decreased by \$4,807 from the amount received in the previous fiscal year, representing a 4.4% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

Major Street Fund – The Major Street Fund completed \$43,477 in street construction and improvements in this fiscal year. The fund balance of the Major Street Fund ended the year at \$69,068. This was a reduction of \$9,239 from the previous year. The Village used funds accumulated from previous years in order to complete this year's projects.

Local Street Fund – The Local Street Fund saw a reduction in expenditures of \$8,582 in this fiscal year. State grant funds provided \$37,119 of Act 51 revenue and the Telecommunications Right of Way Maintenance provided an additional \$5,338 of revenue. The fund balance of this fund is at \$33,482.

Fire Fund – The Fire Fund saw an increase of revenue of \$101,565 during the fiscal year primarily from the receipt of a FEMA grant of \$83,520 to provide new updated equipment for the department. The fund balance of this fund is \$145,698.

Proprietary Funds The Village's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$328,858 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$503 for the fiscal year. This fund experienced a increase in interest income of \$984, and received \$2,486,886 of from a Rural Development Grant as part of a continuing water improvement project for the Village. The net assets of this fund increased by \$2,372,620 in 2005.

Sewer Fund – The Sewer Fund ended this fiscal year with \$453,257 in unrestricted net assets. Charges for services yielded an overall decrease in operating revenues of \$16,708, a 4.2% decrease primarily due to lower than expected flows during the year. This fund experienced an increase in interest income of \$4,311 from the previous fiscal year. The net assets of this fund decreased by \$146,563 in 2005. This fund remains in sound fiscal condition moving forward.

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2005 amounted to \$15,963,559 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

*Village of Baldwin
Capital Assets as of February 28, 2005*

	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$ 144,505	\$ 49,080	\$ 193,585
Buildings	133,564	0	133,564
Land Improvements	125,904	0	125,904
Machinery and Equipment	822,565	142,357	964,922
Infrastructure	62,910	0	62,910
Water and Sewer Systems	0	16,973,277	16,973,277
Subtotal	1,289,448	17,164,714	18,454,162
Construction in Progress	0	582,975	582,975
Accumulated Depreciation	(560,622)	(2,512,956)	(3,073,578)
Net Capital Assets	\$ 728,826	\$ 15,234,733	\$ 15,963,559

Major capital asset events during fiscal year included the following:

- Street construction of \$62,910.
- Machinery and Equipment upgrades and new Fire Equipment of \$97,949.
- Water and Sewer system improvements placed into service of \$4,187,017 with an additional \$582,975 still in progress at year end with significant additional improvements to be completed in fiscal year 2006.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 27 and 28.

VILLAGE OF BALDWIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

***Village of Baldwin Outstanding Debt
Contracts and Revenue Bonds
as of February 28, 2005***

	Governmental Activities	Business-Type Activities	Total Primary Government
Contracts and Notes	\$ 92,708	\$ 0	\$ 92,708
Revenue Bonds	0	3,270,000	3,270,000
Total	\$ 92,708	\$ 3,270,000	\$ 3,362,708

The Village issued no new bonded debt in FY2005 and the total debt decreased from \$3,409,844 at February 29, 2004, to \$3,362,708 at February 28, 2005, a decrease of \$47,136. More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document, on pages 30-32.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Baldwin, P.O. Box 339, Baldwin, MI 49304, or call us at (231) 745-3587.

VILLAGE OF BALDWIN, MICHIGAN

STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
Cash	\$ 611,610	\$ 1,040,792	\$ 1,652,402	\$ 55,722
Receivables				
Taxes	22,184	0	22,184	75,550
Accounts	0	35,465	35,465	0
Accrued Interest	197	0	197	0
External Parties (Fiduciary Funds)	4,858	7,690	12,548	0
Internal Balances	43,221	(43,221)	0	0
Due from Other Governments	130,700	145,719	276,419	0
Due from Component Unit	62,750	0	62,750	0
Prepaid Expenses	31,800	13,868	45,668	0
Total Current Assets	907,320	1,200,313	2,107,633	131,272
<u>CAPITAL ASSETS</u>				
Land	144,505	49,080	193,585	0
Buildings	133,564	0	133,564	0
Land Improvements	125,904	0	125,904	1,579,922
Machinery and Equipment	822,565	142,357	964,922	0
Infrastructure	62,910	0	62,910	0
Water and Sewer Systems	0	16,973,277	16,973,277	0
Construction in Progress	0	582,975	582,975	0
	1,289,448	17,747,689	19,037,137	1,579,922
Less Accumulated Depreciation	560,622	2,512,956	3,073,578	68,505
Net Capital Assets	728,826	15,234,733	15,963,559	1,511,417
<u>OTHER ASSETS</u>				
Deferred Charge - Bond Issuance Costs	0	28,526	28,526	0
TOTAL ASSETS	\$ 1,636,146	\$ 16,463,572	\$ 18,099,718	\$ 1,642,689

The accompanying notes are an integral part of the financial statements.

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS		COMPONENT
	ACTIVITIES	TYPE	TOTALS	UNIT
	ACTIVITIES	ACTIVITIES		
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 12,436	\$ 51,931	\$ 64,367	\$ 0
Accrued Expenses	2,755	0	2,755	0
Due to Primary Government	0	0	0	62,750
Internal Balances	23,264	(23,264)	0	0
Accrued Interest	2,588	19,700	22,288	19,583
Current Portion of Long-Term Debt	13,367	43,500	56,867	40,000
Total Current Liabilities	54,410	91,867	146,277	122,333
<u>LONG-TERM LIABILITIES</u>				
Deferred Revenue	0	375,254	375,254	0
Bonds Payable	0	3,226,500	3,226,500	865,000
Notes Payable	79,341	0	79,341	0
Total Long-Term Liabilities	79,341	3,601,754	3,681,095	865,000
TOTAL LIABILITIES	133,751	3,693,621	3,827,372	987,333
<u>EQUITY</u>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt	649,485	11,964,733	12,614,218	606,417
Restricted for Debt Service	0	0	0	2,518
Unrestricted	852,910	805,218	1,658,128	46,421
TOTAL NET ASSETS	\$ 1,502,395	\$ 12,769,951	\$ 14,272,346	\$ 655,356

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
<u>PRIMARY GOVERNMENT</u>									
<u>GOVERNMENTAL ACTIVITIES</u>									
General Government, Administrative	\$ 112,133	\$ 0	\$ 0	\$ 0	\$ (112,133)	\$ 0	\$ (112,133)	\$ 0	
Public Safety	102,179	4,094	162,389	83,520	147,824	0	147,824	0	
Public Works	142,762	0	105,096	19,433	(18,233)	0	(18,233)	0	
Culture and Recreation	44,906	0	16,989	0	(27,917)	0	(27,917)	0	
Other Functions	109,511	0	0	0	(109,511)	0	(109,511)	0	
Interest on Long-Term Debt	6,053	0	0	0	(6,053)	0	(6,053)	0	
Total Governmental Activities	517,544	4,094	284,474	102,953	(126,023)	0	(126,023)	0	
<u>BUSINESS-TYPE ACTIVITIES</u>									
Water and Sewer Systems	813,150	542,542	0	2,486,886	0	2,216,278	2,216,278	0	
TOTAL PRIMARY GOVERNMENT	1,330,694	546,636	284,474	2,589,839	(126,023)	2,216,278	2,090,255	0	
<u>COMPONENT UNIT</u>									
Downtown Development Authority	\$ 98,994	\$ 0	\$ 0	\$ 0	0	0	0	(98,994)	
<u>GENERAL REVENUES</u>									
Property Taxes					151,556	0	151,556	141,823	
State Shared Revenue					114,992	0	114,992	0	
Unrestricted Investment Earnings					5,949	10,720	16,669	166	
Gain on Sale of Capital Assets					8,802	0	8,802	0	
Other					1,291	0	1,291	0	
Total General Revenues					282,590	10,720	293,310	141,989	
Change in Net Assets					156,567	2,226,998	2,383,565	42,995	
NET ASSETS - Beginning of Year					1,345,828	10,542,953	11,888,781	612,361	
NET ASSETS - End of Year					\$ 1,502,395	\$ 12,769,951	\$ 14,272,346	\$ 655,356	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

FEBRUARY 28, 2005

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE FUND	1990 HOUSING REHAB	TOWNE CENTRAL	TOTALS
<u>ASSETS</u>							
Cash	\$ 349,897	\$ 56,102	\$ 10,597	\$ 92,305	\$ 47,143	\$ 1,003	\$ 557,047
Receivables							
Taxes	22,184	0	0	0	0	0	22,184
Accrued Interest	197	0	0	0	0	0	197
Due from Other Funds	43,999	7,914	17,508	107	0	0	69,528
Due from Other Governments	19,808	12,282	6,229	92,381	0	0	130,700
Due from Component Unit	62,750	0	0	0	0	0	62,750
Prepaid Expenses	14,221	95	126	14,273	0	0	28,715
TOTAL ASSETS	<u>\$ 513,056</u>	<u>\$ 76,393</u>	<u>\$ 34,460</u>	<u>\$ 199,066</u>	<u>\$ 47,143</u>	<u>\$ 1,003</u>	<u>\$ 871,121</u>
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 11,622	\$ 0	\$ 0	\$ 190	\$ 0	\$ 0	\$ 11,812
Accrued Expenses	2,755	0	0	0	0	0	2,755
Due to Other Funds	0	7,325	978	12,146	0	1,000	21,449
Deferred Revenue	22,184	0	0	41,032	0	0	63,216
Total Liabilities	<u>36,561</u>	<u>7,325</u>	<u>978</u>	<u>53,368</u>	<u>0</u>	<u>1,000</u>	<u>99,232</u>
<u>FUND BALANCE</u>							
Reserved for:							
Community Development	0	0	0	0	47,143	0	47,143
Prepaid Expenses	14,221	95	126	14,273	0	0	28,715
Unreserved:							
Undesignated	<u>462,274</u>	<u>68,973</u>	<u>33,356</u>	<u>131,425</u>	<u>0</u>	<u>3</u>	<u>696,031</u>
Total Fund Balance	<u>476,495</u>	<u>69,068</u>	<u>33,482</u>	<u>145,698</u>	<u>47,143</u>	<u>3</u>	<u>771,889</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 513,056</u>	<u>\$ 76,393</u>	<u>\$ 34,460</u>	<u>\$ 199,066</u>	<u>\$ 47,143</u>	<u>\$ 1,003</u>	<u>\$ 871,121</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

Total Fund Balances for Governmental Funds	\$ 771,889
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 144,505	
Buildings	133,564	
Land Improvements	125,904	
Machinery and Equipment	606,488	
Infrastructure	62,910	
Accumulated Depreciation	<u>(433,127)</u>	640,244

Internal service funds are used by management to charge costs of certain activities, such as insurance and data processing, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	122,342
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Balance of receivables at February 28, 2005, expected to be collected after May 1, 2005	
Personal Property Taxes Receivable	22,184
Fire Contracts Receivable	<u>41,032</u>
	63,216

Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(2,588)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Notes Payable	<u>(92,708)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,502,395</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2005

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE	1990 HOUSING REHAB	TOWNE CENTRAL	TOTALS
<u>REVENUES</u>							
Taxes	\$ 160,412	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 160,412
Licenses and Permits	2,765	0	0	0	0	0	2,765
State Grants	109,654	67,977	42,457	0	0	0	220,088
Federal Grants	0	0	0	83,520	0	19,433	102,953
Charges for Services	1,329	0	0	121,357	0	0	122,686
Interest and Rents	5,266	208	44	274	157	3	5,952
Other Revenue	17,593	0	0	0	684	0	18,277
Total Revenues	297,019	68,185	42,501	205,151	841	19,436	633,133
<u>EXPENDITURES</u>							
Legislative	2,560	0	0	0	0	0	2,560
General Government	106,320	0	0	0	700	0	107,020
Public Safety	10,058	0	0	158,140	0	0	168,198
Public Works	79,441	67,424	36,591	0	0	19,433	202,889
Culture and Recreation	43,383	0	0	0	0	0	43,383
Other Functions	109,511	0	0	0	0	0	109,511
Debt Service	0	0	0	18,735	0	0	18,735
Total Expenditures	351,273	67,424	36,591	176,875	700	19,433	652,296

The accompanying notes are an integral part of the financial statements.

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE	1990 HOUSING REHAB	TOWNE CENTRAL	TOTALS
Excess (Deficiency) of Revenues Over Expenditures	(54,254)	761	5,910	28,276	141	3	(19,163)
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	0	0	11,977	9,280	0	0	21,257
Transfers Out	(11,257)	(10,000)	0	0	0	0	(21,257)
Sale of Capital Assets	8,802	0	0	0	0	0	8,802
Total Other Financing Sources (Uses)	(2,455)	(10,000)	11,977	9,280	0	0	8,802
Net Change in Fund Balance	(56,709)	(9,239)	17,887	37,556	141	3	(10,361)
<u>FUND BALANCE</u> - Beginning of Year	533,204	78,307	15,595	108,142	47,002	0	782,250
<u>FUND BALANCE</u> - End of Year	\$ 476,495	\$ 69,068	\$ 33,482	\$ 145,698	\$ 47,143	\$ 3	\$ 771,889

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

Net change in Fund Balance - Total Governmental Funds	\$ (10,361)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.	
Depreciation Expense	(41,200)
Capital Outlay	160,859
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	12,682
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in personal property tax revenue deferred using the modified accrual method.	(8,856)
Change in fire contract revenue deferred using the modified accrual method.	41,032
Accrued interest payable is recorded in the statement of activities when incurred; it is not recorded in the governmental funds until it is paid	
Accrued Interest Payable - Beginning of Year	2,941
Accrued Interest Payable - End of Year	(2,588)
Internal service funds are used by management to charge costs of the motor pool, to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.	<u>2,058</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 156,567</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	<u>MAJOR FUNDS</u>			SERVICE
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 238,852	\$ 776,931	\$ 1,015,783	\$ 79,572
Receivables				
Accounts	8,472	26,993	35,465	0
Due from Other Governments	145,719	0	145,719	0
Due from Other Funds	5,874	4,850	10,724	0
Prepaid Expenses	3,272	9,182	12,454	4,499
Total Current Assets	402,189	817,956	1,220,145	84,071
<u>NONCURRENT ASSETS</u>				
<u>CAPITAL ASSETS</u>				
Land	13,813	35,267	49,080	0
Water and Sewer Systems	5,908,064	11,065,213	16,973,277	0
Machinery and Equipment	10,213	33,102	43,315	315,119
Construction in Progress	582,975	0	582,975	0
	6,515,065	11,133,582	17,648,647	315,119
Less Accumulated Depreciation	1,066,027	1,388,490	2,454,517	185,934
Net Capital Assets	5,449,038	9,745,092	15,194,130	129,185
<u>OTHER ASSETS</u>				
Deferred Charge - Bond Issuance Costs	0	28,526	28,526	0
TOTAL ASSETS	\$ 5,851,227	\$ 10,591,574	\$ 16,442,801	\$ 213,256

The accompanying notes are an integral part of the financial statements.

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 49,148	\$ 2,497	\$ 51,645	\$ 910
Due to Other Funds	4,483	15,474	19,957	26,298
Accrued Interest Payable	19,700	0	19,700	0
Current Portion of Long-Term Debt	20,000	23,500	43,500	0
Total Current Liabilities	93,331	41,471	134,802	27,208
<u>LONG-TERM LIABILITIES</u>				
Deferred Revenue	0	375,254	375,254	0
Revenue Bonds Payable (Net of Current Portion)	1,499,000	1,727,500	3,226,500	0
Total Long-Term Liabilities	1,499,000	2,102,754	3,601,754	0
TOTAL LIABILITIES	1,592,331	2,144,225	3,736,556	27,208
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	3,930,038	7,994,092	11,924,130	129,185
Unrestricted	328,858	453,257	782,115	56,863
TOTAL NET ASSETS	\$ 4,258,896	\$ 8,447,349	\$ 12,706,245	\$ 186,048

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

Total Net Assets - Total Proprietary Funds	\$ 12,706,245
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Amounts reported for proprietary activities in the statement of
net assets are different because:

Internal service funds are used by management to charge costs of
certain activities, such as equipment rental, to
individual funds. The assets and liabilities of the internal service
funds are allocated to governmental and business activities.

	<u>63,706</u>
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NET ASSETS OF PROPRIETARY FUNDS	<u><u>\$ 12,769,951</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 28, 2005

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			<u>INTERNAL</u>
	<u>MAJOR FUNDS</u>			<u>SERVICE</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>OPERATING REVENUES</u>				
Operating Revenues	\$ 151,957	\$ 376,885	\$ 528,842	\$ 46,642
<u>OPERATING EXPENSES</u>				
Wages and Fringe Benefits	63,359	91,095	154,454	0
Office Supplies	36	929	965	0
Postage	275	268	543	0
Professional Services	1,900	1,400	3,300	800
Contracted Services-Operations Assistant	0	19,301	19,301	0
Lab Fee - Samples	1,992	3,894	5,886	0
Operating Supplies	8,523	18,747	27,270	1,146
Gasoline and Oil	0	0	0	7,577
Insurance	7,086	14,573	21,659	4,209
Utilities	20,932	60,967	81,899	5,655
Repairs and Maintenance	224	8,815	9,039	11,683
Equipment Rental	12,744	1,909	14,653	0
Alarm System Rent	3,965	0	3,965	0
Education and Training	678	200	878	0
Depreciation	81,080	237,531	318,611	15,229
Dues and Fees	1,222	0	1,222	0
Miscellaneous	150	0	150	0
Total Operating Expenses	204,166	459,629	663,795	46,299
Operating Income (Loss)	(52,209)	(82,744)	(134,953)	343
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	2,841	7,879	10,720	759
Interest Expense	(66,898)	(82,513)	(149,411)	0
Amortization	0	(885)	(885)	0
Grants	2,486,886	0	2,486,886	0
Connection Fees	2,000	11,700	13,700	0
Gain on Sale of Fixed Assets	0	0	0	1,898
Total Nonoperating Revenues (Expenses)	2,424,829	(63,819)	2,361,010	2,657
Change in Net Assets	2,372,620	(146,563)	2,226,057	3,000
<u>TOTAL NET ASSETS - Beginning of Year</u>	1,886,276	8,593,912	10,480,188	183,048
<u>TOTAL NET ASSETS -End of Year</u>	\$ 4,258,896	\$ 8,447,349	\$ 12,706,245	\$ 186,048

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

Net Change in Fund Net Assets - Total Proprietary Funds	\$ 2,226,057
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Amounts reported for proprietary activities in the statement of activities are different because:

Internal service funds are used by management to charge costs of the motor pool to individual funds. The net revenue (expense) of internal service fund is reported with governmental and business-type activities.

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CHANGE IN NET ASSETS OF PROPRIETARY FUNDS	<u><u>\$ 2,226,999</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2005

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			INTERNAL
	<u>MAJOR FUNDS</u>			SERVICE
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 156,389	\$ 387,661	\$ 544,050	\$ 0
Cash Received from Interfund Services Provided	0	0	0	68,323
Cash Payments to Suppliers for Goods and Services	(126,902)	(219,793)	(346,695)	(30,450)
Net Cash Provided by (Used for) Operating Activities	29,487	167,868	197,355	37,873
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,363,398)	(91,670)	(2,455,068)	(71,700)
Cash Received from Sale of Capital Assets	0	0	0	4,885
Grant Proceeds	2,467,600	0	2,467,600	0
User Contributions	2,000	11,700	13,700	0
Principal Paid on Bonds	(13,000)	(21,500)	(34,500)	0
Interest Paid on Bonds	(64,298)	(82,513)	(146,811)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	28,904	(183,983)	(155,079)	(66,815)
Cash Flows from Investing Activities				
Interest Income	2,841	7,879	10,720	758
Net Increase (Decrease) in Cash and Cash Equivalents	61,232	(8,236)	52,996	(28,184)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	177,620	785,167	962,787	107,756
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 238,852	\$ 776,931	\$ 1,015,783	\$ 79,572

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			INTERNAL
<u>MAJOR FUNDS</u>			SERVICE
<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<hr/>			
\$ (52,209)	\$ (82,744)	\$ (134,953)	\$ 343
<hr/>			
81,080	237,531	318,611	15,229
5,912	20,147	26,059	0
(562)	(901)	(1,463)	(290)
(5,236)	(3,083)	(8,319)	0
0	2,497	2,497	910
502	3,792	4,294	0
0	(9,371)	(9,371)	21,681
<hr/>			
81,696	250,612	332,308	37,530
<hr/>			
\$ 29,487	\$ 167,868	\$ 197,355	\$ 37,873

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS
FEBRUARY 28, 2005

ASSETS

Cash	\$ <u>13,275</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accrued Payroll Taxes and Withholdings	727
Due to Other Funds	<u>12,548</u>

Total Liabilities	<u>13,275</u>
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NET ASSETS

Net Assets	\$ <u>0</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF BALDWIN, MICHIGAN
COMPONENT UNIT

STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
<u>ASSETS</u>	
Cash	\$ 55,722
Receivables	
Taxes	<u>75,550</u>
Total Current Assets	<u>131,272</u>
<u>CAPITAL ASSETS</u>	
Land Improvements	1,579,922
Less Accumulated Depreciation	<u>(68,505)</u>
Net Capital Assets	<u>1,511,417</u>
TOTAL ASSETS	<u>\$ 1,642,689</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Due to Primary Government	\$ 62,750
Accrued Interest	19,583
Current Portion of Long-Term Debt	<u>40,000</u>
Total Current Liabilities	<u>122,333</u>
<u>LONG-TERM LIABILITIES</u>	
General Obligation Bonds	905,000
Less: Current Portion	<u>(40,000)</u>
Total Long-Term Liabilities	<u>865,000</u>
TOTAL LIABILITIES	<u>987,333</u>
<u>EQUITY</u>	
Net Assets:	
Invested in Capital Assets, Net of Related Debt	606,417
Restricted for Debt Service	2,518
Unrestricted	<u>46,421</u>
TOTAL NET ASSETS	<u><u>\$ 655,356</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
COMPONENT UNIT

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

<u>PROGRAM REVENUES</u>				
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>TOTALS</u>
Downtown Development Authority	\$ 98,994	\$ 0	\$ 0	(98,994)

GENERAL REVENUES

Property Taxes	141,823
Unrestricted Investment Earnings	166
	<hr/>
Total General Revenues	141,989
	<hr/>
Change in Net Assets	42,995
NET ASSETS - Beginning of Year	612,361
	<hr/>
NET ASSETS - End of Year	\$ 655,356
	<hr/>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Baldwin, Michigan, is a general law village incorporated under the General Village Act of 1895. As required by generally accepted accounting principles, these financial statements present all activities of the Village. Entities for which the Village is considered to be financially accountable are called component units. The Village has one component unit, the Downtown Development Authority.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

The Village of Baldwin reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Fire Fund* accounts for activities related to the Village fire department activities.

The *1990 Housing Rehabilitation Fund* receives payments from previous MSHDA loan activities.

The *Towne Central Capital Project Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Village in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Village under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The Village of Baldwin reports the following major proprietary funds:

The *Water Fund and Sewer Fund* record financial activity of the water system which provides water to customers and the operations of the Village's sanitary sewer system.

Additionally the Village of Baldwin reports the following fund types:

Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds and of the Village's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The Village's investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after September 15. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Village of Baldwin totaled \$13,449,937, on which ad valorem taxes levied consisted of 14.785 mills for the Village of Baldwin operating purposes. The Downtown Development Authority captures and retains \$4,482,483 of this taxable value from the Village. The Downtown Development Authority also captures taxes from Webber Township, Pleasant Plains Township and Lake County.

3. Inventories and Prepaid Items

The Village does not maintain any material inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain resources of the Water and Sewer Funds which are set aside for repayment of revenue bonds, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond redemption" and the "bond reserve" account is used to report resources set aside to make current debt service payments and to make up potential future deficiencies in the funds available for debt service. The "bond replacement" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Infrastructure	50
Land Improvements	20-50
Machinery and Equipment	5-10
Vehicles	5-10

The Village qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Village will capitalize and depreciate infrastructure beginning March 1, 2004, in accordance with the Village's capitalization policy.

6. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. Accumulated amounts are immaterial and do not exceed normal annual amounts.

7. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

9. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Prior to March 1, the Village treasurer submits to the Village Council a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The Village Council holds a public hearing and adopts a resolution approving the budgets.
3. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
4. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
5. Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year. The Village did not amend the budget during the current fiscal year.
6. Encumbrance accounting is not employed in governmental funds.

B. Major funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund	\$ 325,650	\$	362,530
Major Street Fund	65,100		77,424
Fire Fund	87,750		176,875

No budget was adopted for the 1990 Housing Rehabilitation Fund or the Towne Central Capital Project Fund.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Village's deposits and investments are owned by several of the Village's. At year end, the carrying amount of the Village's deposits was \$1,665,677 and the bank balance was \$1,766,373. Of the bank balance, \$628,738 was covered by federal depository insurance and \$1,137,635 was uninsured and uncollateralized.

The carrying amount of deposits for the discretely presented component unit, was \$55,722 and the bank balance was \$56,763 all of which was covered by Federal Depository Insurance.

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT	COMPONENT UNIT
Carrying amount of Deposits	\$ 1,665,677	\$ 55,722
Government-wide Statement of Net Assets		
Cash	\$ 1,652,402	\$ 55,722
Statement of Fiduciary Net Assets		
Cash	13,275	0
Total	\$ 1,665,677	\$ 55,722

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Major Streets	Local Streets	Fire	Water	Sewer	Total
Receivables							
Taxes	\$ 22,184	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	22,184
Accounts	0	0	0	0	8,472	26,993	35,465
Accrued Interest	197	0	0	0	0	0	197
Other Governments	19,808	12,282	6,229	92,381	145,719	0	276,419
Receivables	\$ 42,189	\$ 12,282	\$ 6,229	\$ 92,381	\$ 154,191	\$ 26,993	\$ 334,265

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 144,505	\$ 0	\$ 0	\$ 144,505
Capital assets, being depreciated				
Buildings	133,564	0	0	133,564
Land Improvements	125,904	0	0	125,904
Machinery and Equipment	508,539	97,949	0	606,488
Infrastructure	0	62,910	0	62,910
Total capital assets, being depreciated	768,007	160,859	0	928,866
Less accumulated depreciation for				
Buildings	(43,754)	(2,765)	0	(46,519)
Land Improvements	(52,607)	(3,655)	0	(56,262)
Machinery and Equipment	(295,566)	(33,910)	0	(329,476)
Infrastructure	0	(870)	0	(870)
Total accumulated depreciation	(391,927)	(41,200)	0	(433,127)
Total capital assets, being depreciated, net	376,080	119,659	0	495,739
Governmental activities capital assets, net	\$ 520,585	\$ 119,659	\$ 0	640,244
Internal Service Fund net capital assets				88,582
Net Capital Assets per Statement of Net Assets				\$ 728,826

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 49,080	\$ 0	\$ 0	\$ 49,080
Construction in Progress	2,263,133	2,415,186	(4,095,344)	582,975
Total capital assets, not being depreciated	2,312,213	2,415,186	(4,095,344)	632,055
Capital assets, being depreciated				
Water and Sewer System	12,786,260	4,187,017	0	16,973,277
Machinery and Equipment	43,315	0	0	43,315
Total capital assets, being depreciated	12,829,575	4,187,017	0	17,016,592
Less accumulated depreciation	(2,135,906)	(318,611)	0	(2,454,517)
Total capital assets, being depreciated, net	10,693,669	3,868,406	0	14,562,075
Business-type activities capital assets, net	\$ 13,005,882	\$ 6,283,592	\$ (4,095,344)	15,194,130
Internal Service Fund net capital assets				40,603
Net Capital Assets per Statement of Net Assets				\$ 15,234,733
Governmental activities:				
General Government				\$ 2,933
Public Safety				32,283
Public Works				4,461
Culture and Recreation				1,523
Total depreciation expense - governmental activities				\$ 41,200
Component Unit				
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, being depreciated				
Land Improvements	\$ 1,579,922	\$ 0	\$ 0	\$ 1,579,922
Less accumulated depreciation	(36,750)	(31,755)	0	(68,505)
Governmental activities capital assets, net	\$ 1,543,172	\$ (31,755)	\$ 0	\$ 1,511,417
Total depreciation expense				\$ 31,755

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 43,999	\$ 0
Special Revenue Funds		
Major Street	7,914	7,325
Local Street	17,508	978
Fire Fund	107	12,146
Capital Projects Fund		
Towne Central	0	1,000
Enterprise Funds		
Water	5,874	4,483
Sewer	4,850	15,474
Internal Service Fund		
Equipment Fund	0	26,298
Fiduciary Fund		
Imprest Payroll Fund	0	12,548
	<u>\$ 80,252</u>	<u>\$ 80,252</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at February 28, 2005, are expected to be repaid within one year.

Interfund Transfers as of February 28, 2005, were:

	<u>IN</u>	<u>TRANSFERS OUT</u>
Primary Government		
General Fund	\$ 0	\$ 11,257
Major Street Fund	0	10,000
Local Street Fund	11,977	0
Fire Fund	9,280	0
	<u>\$ 21,257</u>	<u>\$ 21,257</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

F. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Baldwin for the year ended February 28, 2005:

Governmental and Business Type Activities:

	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
Debt Payable at March 1, 2004	\$ 3,304,500	\$ 105,344	\$ 3,409,844
New Debt Incurred	0	0	0
Debt Retired	(34,500)	(12,636)	(47,136)
Debt Payable at February 28, 2005	<u>\$ 3,270,000</u>	<u>\$ 92,708</u>	<u>\$ 3,362,708</u>
Due within one year	<u>\$ 43,500</u>	<u>\$ 13,367</u>	<u>\$ 56,867</u>

Debt payable at February 28, 2005 is comprised of the following individual issues:

Revenue Bonds:

\$455,000 Water Supply System Revenue Bonds due in annual installments of \$13,000 to \$27,000 plus semi-annual interest payments at 5% through 1/19/2019.	\$ 265,000
\$1,254,000 Water Supply System Reserve Bonds due in annual installments of \$7,000 to \$73,000 plus semi-annual interest payments at 4.25% through 5/1/2043.	1,254,000
\$855,000 Sanitary Sanitary Sewer System Revenue Bonds due in annual installments of \$11,500 to \$48,000 plus semi-annual interest payments at 5% through 3/1/2036.	784,000
\$1,016,000 Sanitary Sewer System Revenue Bonds due in annual installments of \$12,000 to \$54,000 plus semi-annual interest payments at 4.375% through 3/1/2039.	967,000

Installment Purchase Agreements:

Equipment Contract of \$139,274 to purchase a Fire Truck due in annual installments of \$18,735 including interest at 5.79% through 11/5/2010.	<u>92,708</u>
	<u>\$ 3,362,708</u>

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

The annual requirements to amortize these debts outstanding as of February 28, 2005, including interest payments of \$3,258,369 are as follows:

<u>YEAR</u> <u>ENDING FEBRUARY 28,</u>	<u>REVENUE</u> <u>BONDS</u>	<u>INSTALLMENT</u> <u>PURCHASE</u> <u>AGREEMENT</u>	<u>TOTAL</u>
2006			
PRINCIPAL	\$ 43,500	\$ 13,367	\$ 56,867
INTEREST	147,903	5,368	153,271
TOTAL	191,403	18,735	210,138
2007			
PRINCIPAL	44,500	14,141	58,641
INTEREST	145,855	4,594	150,449
TOTAL	190,355	18,735	209,090
2008			
PRINCIPAL	46,500	14,960	61,460
INTEREST	143,757	3,775	147,532
TOTAL	190,257	18,735	208,992
2009			
PRINCIPAL	49,500	15,826	65,326
INTEREST	141,566	2,909	144,475
TOTAL	191,066	18,735	209,801
2010			
PRINCIPAL	51,000	16,742	67,742
INTEREST	139,211	1,993	141,204
TOTAL	190,211	18,735	208,946
2011-2015			
PRINCIPAL	296,500	17,672	314,172
INTEREST	632,233	1,023	633,256
TOTAL	928,733	18,695	947,428
2016-2020			
PRINCIPAL	364,000	0	364,000
INTEREST	581,032	0	581,032
TOTAL	945,032	0	945,032
2021-2025			
PRINCIPAL	403,000	0	403,000
INTEREST	494,853	0	494,853
TOTAL	897,853	0	897,853

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

2026-2030			
PRINCIPAL	511,000	0	511,000
INTEREST	394,267	0	394,267
TOTAL	905,267	0	905,267
2031-2035			
PRINCIPAL	646,500	0	646,500
INTEREST	266,650	0	266,650
TOTAL	913,150	0	913,150
2036-2040			
PRINCIPAL	537,000	0	537,000
INTEREST	121,376	0	121,376
TOTAL	658,376	0	658,376
2041-2045			
PRINCIPAL	277,000	0	277,000
INTEREST	30,004	0	30,004
TOTAL	307,004	0	307,004
GRAND TOTAL			
PRINCIPAL	3,270,000	92,708	3,362,708
INTEREST	3,238,707	19,662	3,258,369
TOTAL	\$ 6,508,707	\$ 112,370	\$ 6,621,077

Component Unit

The following is a summary of the long-term debt transactions of the Downtown Development Authority for the year ended February 28, 2005:

	<u>TOTALS</u>
Long-Term Debt Payable at March 1, 2004	\$ 935,000
Debt Retired	<u>(30,000)</u>
Long-Term Debt Payable at February 28, 2005	\$ <u>905,000</u>
Due within one year	\$ <u>40,000</u>

Long-term debt payable at February 28, 2005, is comprised of the following individual issue:

Tax Increment Bond

\$995,000 Downtown Development Authority Tax Increment Bonds due in annual installments of \$40,000 to \$85,000 plus semi-annual interest payments at 5.00% - 5.50% through October 1, 2019.

\$ 905,000

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

The annual payments to amortize all debt outstanding as of February 28, 2005, including interest payments of \$427,676 are as follows:

<u>YEAR</u> <u>ENDING FEBRUARY 28,</u>	<u>REVENUE</u> <u>BOND</u>
2006	
PRINCIPAL	\$ 40,000
INTEREST	47,654
TOTAL	<u>87,654</u>
2007	
PRINCIPAL	40,000
INTEREST	45,454
TOTAL	<u>85,454</u>
2008	
PRINCIPAL	40,000
INTEREST	43,254
TOTAL	<u>83,254</u>
2009	
PRINCIPAL	50,000
INTEREST	41,054
TOTAL	<u>91,054</u>
2010	
PRINCIPAL	50,000
INTEREST	38,304
TOTAL	<u>88,304</u>
2011-2015	
PRINCIPAL	300,000
INTEREST	148,770
TOTAL	<u>448,770</u>
2016-2020	
PRINCIPAL	385,000
INTEREST	63,186
TOTAL	<u>448,186</u>
GRAND TOTAL	
PRINCIPAL	905,000
INTEREST	427,676
TOTAL	\$ <u><u>1,332,676</u></u>

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

G. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
General Fund	
Prepaid Expenses	\$ 14,221
Major Street Fund	
Prepaid Expenses	95
Local Street Fund	
Prepaid Expenses	126
Fire Fund	
Prepaid Expenses	14,273
1990 Housing Rehabilitation Fund	
Community Development	47,143
	<hr/>
TOTAL FUND BALANCE RESERVATIONS	\$ 75,858
	<hr/> <hr/>

H. Component Unit Disclosures

The following presents the condensed financial statements for the discretely presented component unit.

Condensed Financial Statements - Discretely Presented Component Unit

Downtown Development Authority

Balance Sheet

February 28, 2005

Assets	
Current Assets	\$ 131,272
	<hr/> <hr/>
Liabilities	
Current Liabilities	\$ 125,523
	<hr/>
Fund Balance	
Reserved for Debt Service	2,518
Unreserved	3,231
	<hr/>
Total Fund Balances	5,749
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 131,272
	<hr/> <hr/>

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

Condensed Financial Statements - Discretely Presented Component Unit
Downtown Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance

Revenues	\$ 87,995
Expenditures	
General Government	17,498
Debt Retirement	80,419
Total Expenditures	97,917
Net Change in Fund Balance	(9,922)
FUND BALANCE - Beginning of Year	15,671
FUND BALANCE - End of Year	\$ 5,749

I. Amortization of Bond Issuance Costs

The Village incurred bond issuance costs in connection with Sewer revenue bonds of \$35,055. These costs have been capitalized and are amortized using the “interest” method, as prescribed in Accounting Principles Board Opinion Number 21, over the repayment period of the bonds. The unamortized balance at February 28, 2005 is \$28,526.

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

The Village participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and worker’s disability compensation. The pools are considered public entity risk pools. The Village pays annual premiums to each pool for the respective insurance coverage. In the event a pool’s total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Village has not been informed to any special assessments being required for the current year or the three prior years.

The Village continued to carry commercial insurance for other risks of loss, including employee health and accident insurance.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

B. Retirement Benefits

The Village participates in a defined contribution plan administered by Nationwide Life Insurance Company. The employees can contribute up to 15 percent of their salaries and wages. The employer is required to match the contribution equal to the employee's salary reduction contribution up to a limit of 3 percent of the employee's compensation for the year.

For the fiscal year ended February 28, 2005, actual contributions by the Village were \$6,218.

At February 28, 2005, the Village had 7 participants in the defined contribution plan.

The Village also contributed an additional \$7,693 to the individual retirement accounts or simple accounts of 7 employees.

For the 2004-2005 year, covered compensation was \$209,441 and the total of all wages including noncovered wages was \$235,090.

VILLAGE OF BALDWIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND				FIRE FUND				1990 HOUSING REHABILITATION FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>Revenues</u>																				
Taxes	\$ 165,350	\$ 165,350	\$ 160,412	\$ (4,938)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	4,500	4,500	2,765	(1,735)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State Grants	104,000	104,000	109,654	5,654	60,000	60,000	67,977	7,977	38,000	38,000	42,457	4,457	0	0	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	83,520	83,520	0	0	0	0
Charges for Services	1,000	1,000	1,329	329	0	0	0	0	0	0	0	0	86,000	86,000	121,357	35,357	0	0	0	0
Interest and Rents	3,000	3,000	5,266	2,266	100	100	208	108	100	100	44	(56)	250	250	274	24	0	0	157	157
Other Revenue	45,900	45,900	17,593	(28,307)	0	0	0	0	1,000	1,000	0	(1,000)	1,500	1,500	0	(1,500)	0	0	684	684
Total Revenues	323,750	323,750	297,019	(26,731)	60,100	60,100	68,185	8,085	39,100	39,100	42,501	3,401	87,750	87,750	205,151	117,401	0	0	841	841
<u>Expenditures</u>																				
Legislative	69,700	69,700	2,560	67,140	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Government	115,850	115,850	106,320	9,530	0	0	0	0	0	0	0	0	0	0	0	0	0	0	700	(700)
Public Safety	20,300	20,300	10,058	10,242	0	0	0	0	0	0	0	0	87,750	87,750	176,875	(89,125)	0	0	0	0
Public Works	80,250	80,250	79,441	809	46,150	46,150	67,424	(21,274)	58,050	58,050	36,591	21,459	0	0	0	0	0	0	0	0
Culture and Recreation	34,550	34,550	43,383	(8,833)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Functions	5,000	5,000	109,511	(104,511)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	325,650	325,650	351,273	(25,623)	46,150	46,150	67,424	(21,274)	58,050	58,050	36,591	21,459	87,750	87,750	176,875	(89,125)	0	0	700	(700)
Excess (Deficiency) of Revenues																				
Over Expenditures	(1,900)	(1,900)	(54,254)	(52,354)	13,950	13,950	761	(13,189)	(18,950)	(18,950)	5,910	24,860	0	0	28,276	28,276	0	0	141	141
<u>Other Financing Sources (Uses)</u>																				
Transfers In	0	0	0	0	5,000	5,000	0	(5,000)	18,950	18,950	11,977	(6,973)	0	0	9,280	9,280	0	0	0	0
Transfers Out	0	0	(11,257)	(11,257)	(18,950)	(18,950)	(10,000)	8,950	0	0	0	0	0	0	0	0	0	0	0	0
Sale of Capital Assets	0	0	8,802	8,802	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	(2,455)	(2,455)	(13,950)	(13,950)	(10,000)	3,950	18,950	18,950	11,977	(6,973)	0	0	9,280	9,280	0	0	0	0
Net Change in Fund Balance	(1,900)	(1,900)	(56,709)	(54,809)	0	0	(9,239)	(9,239)	0	0	17,887	17,887	0	0	37,556	37,556	0	0	141	141
<u>FUND BALANCE - Beginning of Year</u>	533,204	533,204	533,204	0	78,307	78,307	78,307	0	15,595	15,595	15,595	0	108,142	108,142	108,142	0	0	0	47,002	47,002
<u>FUND BALANCE - End of Year</u>	\$ 531,304	\$ 531,304	\$ 476,495	\$ (54,809)	\$ 78,307	\$ 78,307	\$ 69,068	\$ (9,239)	\$ 15,595	\$ 15,595	\$ 33,482	\$ 17,887	\$ 108,142	\$ 108,142	\$ 145,698	\$ 37,556	\$ 0	\$ 0	\$ 47,143	\$ 47,143

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>ASSETS</u>		
Cash	\$ 349,897	\$ 370,524
Receivable		
Taxes	22,184	31,040
Accrued Interest	197	200
Due from Other Governments	19,808	19,375
Due from Other Funds		
Local Street Fund	978	0
Major Street Fund	735	352
Equipment Fund	5,125	4,617
Fire Fund	12,146	13,717
Towne Central Fund	1,000	0
Water Fund	4,483	2,982
Sewer Fund	15,474	11,682
Payroll Fund	4,058	658
Due from Component Unit		
Downtown Development Authority	62,750	102,750
Prepaid Expenses	14,221	13,734
TOTAL ASSETS	\$ 513,056	\$ 571,631

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 11,622	\$ 17
Due to Other Funds		
Local Street Fund	0	4,151
1990 Housing Rehabilitation Fund	0	124
Accrued Wages	2,755	3,095
Deferred Revenue	22,184	31,040
Total Liabilities	36,561	38,427

FUND BALANCE

Reserved for:		
Prepaid Expenses	14,221	13,734
Unreserved		
Undesignated	462,274	519,470
Total Fund Balance	476,495	533,204
TOTAL LIABILITIES AND FUND BALANCE	\$ 513,056	\$ 571,631

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 165,350	\$ 160,412	\$ 151,036
Licenses and Permits	4,500	2,765	5,090
State Grants	104,000	109,654	114,461
Charges for Services	1,000	1,329	646
Interest and Rents	3,000	5,266	4,543
Other Revenues	45,900	17,593	16,685
Total Revenues	323,750	297,019	292,461
<u>EXPENDITURES</u>			
Legislative	69,700	2,560	3,290
General Government	115,850	106,320	93,640
Public Safety	20,300	10,058	9,784
Public Works	80,250	79,441	59,704
Culture and Recreation	34,550	43,383	31,246
Other Functions	5,000	109,511	99,998
Capital Outlay	0	0	3,271
Total Expenditures	325,650	351,273	300,933
Excess of Revenues Over (Under) Expenditures	(1,900)	(54,254)	(8,472)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	0	(11,257)	(6,604)
Sale of Capital Assets	0	8,802	0
Total Other Financing Sources (Uses)	0	(2,455)	(6,604)
Net Change in Fund Balance	(1,900)	(56,709)	(15,076)
<u>FUND BALANCE - Beginning of Year</u>	533,204	533,204	548,280
<u>FUND BALANCE - End of Year</u>	\$ 531,304	\$ 476,495	\$ 533,204

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28

	<u>2005</u>	<u>2004</u>
<u>TAXES</u>		
Current Property Tax Collections	\$ 113,899	\$ 106,290
Delinquent Property Tax Collections	26,927	28,014
Payments in Lieu of Taxes - Housing Commission	11,937	11,767
Penalties and Interest	5,847	3,260
Property Tax Administrative Fee	1,802	1,705
Total Taxes	<u>160,412</u>	<u>151,036</u>
<u>LICENSES AND PERMITS</u>		
Non-business Licenses	200	0
Land and Zoning Permits	2,565	5,090
Total Licenses and Permits	<u>2,765</u>	<u>5,090</u>
<u>STATE GRANTS</u>		
Sales and Use Tax	<u>109,654</u>	<u>114,461</u>
<u>CHARGES FOR SERVICES</u>		
Building Inspections	1,000	500
Solid Waste Collection	329	146
Total Charges for Services	<u>1,329</u>	<u>646</u>
<u>INTEREST AND RENTS</u>		
Interest	<u>5,266</u>	<u>4,543</u>
<u>OTHER REVENUE</u>		
Contributions from Private Sources	16,989	16,147
Refunds and Miscellaneous	604	538
Total Other Revenue	<u>17,593</u>	<u>16,685</u>
TOTAL REVENUES	<u>\$ 297,019</u>	<u>\$ 292,461</u>

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28

	<u>2005</u>	<u>2004</u>
<u>LEGISLATIVE</u>		
Village Council		
Salaries and Wages	\$ 2,560	\$ 3,290
<u>GENERAL GOVERNMENT</u>		
Village President		
Salary	7,500	7,500
Miscellaneous	6	28
Total Village President	<u>7,506</u>	<u>7,528</u>
Elections		
Contracted Servcies	<u>350</u>	<u>0</u>
Attorney		
Legal Fees	<u>7,525</u>	<u>13,111</u>
Clerk		
Salaries and Wages	2,400	2,400
Office Supplies	574	425
Total Clerk	<u>2,974</u>	<u>2,825</u>
Treasurer		
Office Manager Salary	12,263	8,574
Office Supplies	13	510
Education and Training	0	325
Tax Abatements	<u>14,540</u>	<u>4,716</u>
Total Treasurer	<u>26,816</u>	<u>14,125</u>
General Village		
Utilities	2,050	3,259
Repairs and Maintenance	1,236	454
Office Supplies	2,441	1,604
Postage	1,506	781
Operating Supplies	639	1,908
Professional Services	44,137	24,967
Contracted Services	1,204	15,548
Telephone	2,180	2,060

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28

	<u>2005</u>	<u>2004</u>
Printing and Publishing	1,484	3,099
Rentals	480	1,038
Education and Training	24	16
Dues and Fees	1,046	1,215
Miscellaneous	2,722	102
Total General Village	<u>61,149</u>	<u>56,051</u>
Total General Government	<u>106,320</u>	<u>93,640</u>
 <u>PUBLIC SAFETY</u>		
Fire Protection		
Hydrant Rental	4,440	2,960
Salaries and Wages	1,750	1,750
Total Fire Protection	<u>6,190</u>	<u>4,710</u>
Planning and Zoning Board		
Salaries and Wages	2,958	3,879
Office Supplies	369	987
Travel	96	0
Dues and Fees	445	208
Total Planning and Zoning	<u>3,868</u>	<u>5,074</u>
Total Public Safety	<u>10,058</u>	<u>9,784</u>
 <u>PUBLIC WORKS</u>		
Department of Public Works		
Salaries	19,568	21,916
Equipment Rental	5,021	11,513
Operating Supplies	87	3,635
Contracted Services	0	380
Repairs and Maintenance	1,326	867
Municipal Airport	18,583	1,612
Street Lighting	29,642	15,378
Sanitation		
Contracted Services	5,214	4,403
Total Public Works	<u>79,441</u>	<u>59,704</u>

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28

	<u>2005</u>	<u>2004</u>
<u>CULTURE AND RECREATION</u>		
Parks		
Salaries and Wages	12,673	9,614
Operating Supplies	502	16
Contracted Services		
Wenger Pavilion	20,817	19,220
Other	3,260	1,300
Utilities	907	684
Repairs and Maintenance	3,690	0
Equipment Rental	1,534	0
Printing and Publishing	0	412
Total Culture and Recreation	<u>43,383</u>	<u>31,246</u>
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Social Security	4,246	4,796
Medicare	993	932
Michigan Unemployment	1,511	952
Retirement	13,911	13,047
Health and Life Insurance	70,115	63,243
Workers Compensation	4,818	2,052
Insurance and Bonds	13,917	12,550
Festivals and Celebrations	0	580
Christmas Decorations	0	1,846
Total Other Functions	<u>109,511</u>	<u>99,998</u>
<u>CAPITAL OUTLAY</u>		
Equipment	<u>0</u>	<u>3,271</u>
 TOTAL EXPENDITURES	 <u>\$ 351,273</u>	 <u>\$ 300,933</u>

VILLAGE OF BALDWIN, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>ASSETS</u>		
Cash	\$ 56,102	\$ 67,529
Due from Other Governments	12,282	11,081
Due from Other Funds		
Equipment Fund	7,712	0
Payroll Fund	202	0
Prepaid Expenses	95	49
TOTAL ASSETS	\$ 76,393	\$ 78,659
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
General Fund	\$ 735	\$ 352
Local Street Fund	6,590	0
Total Liabilities	7,325	352
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenses	95	49
Unreserved	68,973	78,258
Total Fund Balance	69,068	78,307
TOTAL LIABILITIES AND FUND BALANCE	\$ 76,393	\$ 78,659

VILLAGE OF BALDWIN, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants			
Motor Vehicle Highway Fund-Act 51	\$ 60,000	\$ 67,977	\$ 59,387
Interest and Rents			
Interest	100	208	5
Total Revenues	60,100	68,185	59,392
<u>EXPENDITURES</u>			
Public Works			
Street Construction	7,000	43,477	2,914
Routine Maintenance			
Salaries and Wages	9,500	2,637	4,429
Employee Benefits (FICA)	800	317	454
Materials and Supplies	0	25	979
Equipment Rental	16,400	8,307	11,605
Sweeping	750	0	575
Repairs & Maintenance	2,000	216	0
Winter Maintenance			
Salaries and Wages	0	4,468	4,961
Employee Benefits (FICA)	0	342	337
Equipment Rental	0	2,369	1,525
Administration and General			
Salaries and Wages	2,250	1,500	1,500
Workers' Compensation	0	689	340
Independent Audit	900	800	825
Legal Fees	250	0	0
Engineering	5,000	973	260
Traffic Signs and Signals	1,300	1,304	640
Total Expenditures	46,150	67,424	31,344
Excess of Revenues Over (Under) Expenditures	13,950	761	28,048

VILLAGE OF BALDWIN, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	5,000	0	0
Transfers Out			
Local Street Fund	(18,950)	(10,000)	0
	<u>(13,950)</u>	<u>(10,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	(13,950)	(10,000)	0
Net Change in Fund Balance	0	(9,239)	28,048
<u>FUND BALANCE - Beginning of Year</u>	<u>78,307</u>	<u>78,307</u>	<u>50,259</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 78,307</u>	<u>\$ 69,068</u>	<u>\$ 78,307</u>

VILLAGE OF BALDWIN, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 10,597	\$ 4,376
Due from Other Governmental Units	6,229	7,004
Due from Other Funds		
General Fund	0	4,151
Major Street Fund	6,590	0
Equipment Fund	10,427	0
Payroll Fund	491	0
Prepaid Expenses	126	64
	<hr/>	
TOTAL ASSETS	\$ 34,460	\$ 15,595
	<hr/>	

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Funds		
General Fund	\$ 978	\$ 0
	<hr/>	

FUND BALANCE

Reserved for Prepaid Expenses	126	64
Unreserved	33,356	15,531
	<hr/>	

Total Fund Balance	33,482	15,595
	<hr/>	

TOTAL LIABILITIES AND FUND BALANCE	\$ 34,460	\$ 15,595
	<hr/>	

VILLAGE OF BALDWIN, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	2004		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
State Shared Revenues			
Motor Vehicle Highway Fund - Act 51	\$ 38,000	\$ 37,119	\$ 37,596
Telecommunications Right of Way Maintenance	0	5,338	0
Interest and Rents			
Interest	100	44	1
Other Revenues			
Reimbursements	1,000	0	0
Total Revenues	39,100	42,501	37,597
Public Works			
Street Construction	6,650	0	5,255
Routine Maintenance			
Wages	16,000	3,855	6,897
Employee Benefits (FICA)	1,000	410	642
Workers' Compensation	0	916	440
Equipment and Materials	0	0	979
Equipment Rental	22,000	11,306	15,773
Sweeping	750		575
Repairs & Maintenance	1,500	4,425	2,450
Winter Maintenance			
Wages	0	6,102	6,339
Employee Benefits (FICA)	0	467	376
Equipment Rental	3,000	4,114	2,552
Administration			
Salaries	2,000	1,500	1,500
Legal Fees	500	935	0
Independent Audit	900	800	825
Engineering	3,000	451	98
Traffic Signs and Signals	750	1,310	472
Total Expenditures	58,050	36,591	45,173
Excess of Revenues Over (Under) Expenditures	(18,950)	5,910	(7,576)

VILLAGE OF BALDWIN, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	2004		2004
	BUDGET	ACTUAL	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	0	1,977	4,604
Major Street Fund	18,950	10,000	0
Total Other Financing Sources (Uses)	18,950	11,977	4,604
Net Change in Fund Balance	0	17,887	(2,972)
<u>FUND BALANCE - Beginning of Year</u>	15,595	15,595	18,567
<u>FUND BALANCE - End of Year</u>	\$ 15,595	\$ 33,482	\$ 15,595

VILLAGE OF BALDWIN, MICHIGAN

FIRE FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>ASSETS</u>		
Cash	\$ 92,305	\$ 68,433
Due from Other Governmental Units	92,381	39,866
Due from Other Funds		
Payroll Fund	107	107
Prepaid Expenses	14,273	13,666
TOTAL ASSETS	\$ 199,066	\$ 122,072
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 190	\$ 213
Due to Other Funds		
General Fund	12,146	13,717
Deferred Revenue	41,032	0
Total Liabilities	53,368	13,930
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenses	14,273	13,666
Unreserved	131,425	94,476
Total Fund Balance	145,698	108,142
TOTAL LIABILITIES AND FUND BALANCE	\$ 199,066	\$ 122,072

VILLAGE OF BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Federal Grants			
FEMA Grant	\$ 0	\$ 83,520	\$ 0
Charges for Services			
Fire Contract Revenue	85,000	118,857	103,579
Fire Run Revenue	1,000	2,500	0
Interest and Rents			
Interest Income	250	274	7
Other			
Donations and Miscellaneous	1,500	0	0
Total Revenues	87,750	205,151	103,586
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Salaries			
Fire Chief	3,500	1,750	3,550
Assistant Fire Chief	1,200	1,200	350
2nd Assistant Fire Chief	350	350	300
Treasurer	1,200	1,200	1,200
Captain	300	300	300
Safety Officer	300	300	300
Contracted Services - Firefighters	12,000	12,000	12,000
Employee Benefits (FICA)	200	134	134
Operating Supplies	17,000	20,390	17,829
Independent Audit	900	900	825
Legal Fees	500	0	0
Communications	1,500	1,189	1,414
Gasoline and Oil	2,000	2,073	1,959
Insurance	1,000	13,796	11,431

VILLAGE OF BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
Electricity	800	726	589
Heat	800	0	0
Water	600	583	530
Equipment Repairs	1,000	86	418
Truck Repairs	6,000	2,689	4,965
Building Repairs	1,000	228	665
Training and Dues	3,450	297	835
Capital Outlay	32,000	97,949	15,462
Administration			
Salaries	150	0	0
Debt Service			
Principal	0	12,682	11,944
Interest Expense	0	6,053	6,791
Total Expenditures	87,750	176,875	93,791
Excess of Revenues Over (Under) Expenditures	0	28,276	9,795
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	0	9,280	2,000
Net Change in Fund Balance	0	37,556	11,795
<u>FUND BALANCE - Beginning of Year</u>	108,142	108,142	96,347
<u>FUND BALANCE - End of Year</u>	\$ 108,142	\$ 145,698	\$ 108,142

VILLAGE OF BALDWIN, MICHIGAN

1990 HOUSING REHABILITATION FUND
COMPARATIVE BALANCE SHEET

		FEBRUARY 28 2005	FEBRUARY 29 2004
	<u>ASSETS</u>		
Cash		\$ 47,143	\$ 46,878
Due from Other Funds			
General Fund		0	124
TOTAL ASSETS		\$ 47,143	\$ 47,002
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		\$ 0	\$ 0
<u>FUND BALANCE</u>			
Reserved for Community Development		47,143	47,002
TOTAL LIABILITIES AND FUND BALANCE		\$ 47,143	\$ 47,002

VILLAGE OF BALDWIN, MICHIGAN

1990 HOUSING REHABILITATION FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>REVENUES</u>		
Interest and Rents		
Interest	\$ 157	\$ 5
Other Revenues		
MSHDA Loan Repayments	684	570
Total Revenues	841	575
<u>EXPENDITURES</u>		
Professional Fees	700	600
Excess of Revenues Over (Under) Expenditures	141	(25)
<u>FUND BALANCE - Beginning of Year</u>	47,002	47,027
<u>FUND BALANCE - End of Year</u>	\$ 47,143	\$ 47,002

VILLAGE OF BALDWIN, MICHIGAN

TOWNE CENTRAL CAPITAL PROJECT FUND

BALANCE SHEET

FEBRUARY 28, 2005

ASSETS

Cash	\$	<u>1,003</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Funds		
General Fund	\$	1,000

FUND BALANCE

Unreserved		<u>3</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$	<u>3</u>
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VILLAGE OF BALDWIN, MICHIGAN

TOWNE CENTRAL CAPITAL PROJECT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28, 2005

REVENUES

Federal Grants	
Community Development Block Grant	\$ 19,433
Interest and Rents	
Interest	<u>3</u>
Total Revenues	<u>19,436</u>

EXPENDITURES

Public Works	
Capital Outlay	<u>19,433</u>
Net Change in Fund Balance	3

<u>FUND BALANCE - Beginning of Year</u>	<u>0</u>
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<u>FUND BALANCE - End of Year</u>	\$ <u><u>3</u></u>
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VILLAGE OF BALDWIN, MICHIGAN

WATER FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 94,388	\$ 159,561
Accounts Receivable	8,472	14,384
Due from Other Governments	145,719	126,433
Prepaid Expenses	3,272	2,710
Due from Other Funds		
Equipment Fund	2,524	0
Payroll Fund	3,350	638
Total Current Assets	257,725	303,726
<u>RESTRICTED ASSETS</u>		
Cash		
Bond Redemption	36,015	39,040
Bond Reserve	108,449	107,084
Total Restricted Assets	144,464	146,124
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	13,813	13,813
Machinery and Equipment	10,213	10,213
Water System Improvements	5,908,064	1,812,720
Construction in Progress	582,975	2,263,133
Accumulated Depreciation	(1,066,027)	(984,947)
Total Property, Plant and Equipment	5,449,038	3,114,932
TOTAL ASSETS	\$ 5,851,227	\$ 3,564,782

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES (Payable from Current Assets)</u>		
Accounts Payable	\$ 49,148	\$ 125,425
Due to Other Funds		
General Fund	4,483	2,981
Sewer Fund	0	1,000
Total Current Liabilities (Payable from Current Assets)	53,631	129,406
<u>CURRENT LIABILITIES (Payable from Restricted Assets)</u>		
Current Portion of Revenue Bonds	20,000	13,000
Accrued Interest Payable	19,700	17,100
Total Current Liabilities (Payable from Restricted Assets)	39,700	30,100
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable (Net of Current Portion)	1,499,000	1,519,000
Total Liabilities	1,592,331	1,678,506
<u>FUND EQUITY</u>		
Retained Earnings	4,258,896	1,886,276
TOTAL LIABILITIES AND FUND EQUITY	\$ 5,851,227	\$ 3,564,782

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>OPERATING REVENUES</u>			
Water Billings	\$ 180,000	\$ 147,517	\$ 148,494
Hydrant Rental	4,000	4,440	2,960
Other Income	4,000	0	0
Total Operating Revenues	188,000	151,957	151,454
<u>OPERATING EXPENSES</u>			
Administration	2,000	1,500	1,500
Wages and Fringe Benefits	38,500	49,669	35,352
Collection Agent Fees	10,000	12,190	9,194
Office Supplies	500	36	29
Postage	800	275	865
Legal Fees	750	0	0
Professional Services	2,000	1,900	1,400
Lab Fees	7,000	1,992	5,521
Operating Supplies	9,000	8,523	5,831
Insurance	1,000	7,086	3,725
Utilities	12,000	20,932	12,602
Pump and Tower Maintenance	14,500	224	7,961
Equipment Rental	14,000	12,744	13,580
Alarm System Rent and Telephone	3,950	3,965	3,699
Education and Training	750	678	252
Depreciation	0	81,080	44,127
Dues and Fees	0	1,222	575
Miscellaneous	250	150	0
Total Operating Expenses	117,000	204,166	146,213
Operating Income (Loss)	71,000	(52,209)	5,241

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	1,000	2,841	1,857
Interest Expense	(74,000)	(66,898)	(31,174)
Well Head Grant	0	0	8,038
Rural Development Grant	0	2,486,886	1,009,133
Connection Fees	2,000	2,000	1,260
Total Nonoperating Revenues (Expenses)	<u>(71,000)</u>	<u>2,424,829</u>	<u>989,114</u>
Net Income (Loss)	0	2,372,620	994,355
<u>RETAINED EARNINGS - Beginning of Year</u>	<u>1,886,276</u>	<u>1,886,276</u>	<u>891,921</u>
 <u>RETAINED EARNINGS - End of Year</u>	 <u>\$ 1,886,276</u>	 <u>\$ 4,258,896</u>	 <u>\$ 1,886,276</u>

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 156,389	\$ 148,022
Cash Payments to Suppliers for Goods and Services	(126,902)	(100,084)
Net Cash Provided by (Used for) Operating Activities	29,487	47,938
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(2,363,398)	(2,111,742)
Bond Proceeds	0	1,254,000
Grant Proceeds	2,467,600	890,738
User Contributions	2,000	1,260
Principal Paid on Bonds	(13,000)	(12,000)
Interest Paid on Bonds	(64,298)	(16,474)
Net Cash Provided by (Used for) Capital and Related Financing Activities	28,904	5,782
Cash Flows from Investing Activities		
Interest Income	2,841	1,857
Net Increase (Decrease) in Cash and Cash Equivalents	61,232	55,577
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	177,620	250,108
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 238,852	\$ 305,685
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (52,209)	\$ 5,241
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization	81,080	44,127
(Increase) Decrease in Current Assets		
Accounts Receivable	5,912	(3,432)
Prepaid Expenses	(562)	(487)
Due from Other Funds	(5,236)	0
Increase (Decrease) in Current Liabilities		
Due to Other Funds	502	2,489
Total Adjustments	81,696	42,697
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 29,487	\$ 47,938

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 626,501	\$ 630,875
Accounts Receivable	26,993	47,140
Prepaid Expenses	9,182	8,281
Due from Other Funds		
Equipment Fund	510	0
Water Fund	0	1,000
Payroll Fund	4,340	767
Total Current Assets	667,526	688,063
<u>RESTRICTED ASSETS</u>		
Cash		
Replacement	20,568	14,505
Bond Redemption - (Overdraft)	(926)	10,968
Bond Reserve	130,788	128,819
Total Restricted Assets	150,430	154,292
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	35,267	35,267
Machinery and Equipment	33,102	33,102
Sewer System Improvements	11,065,213	10,973,540
Accumulated Depreciation	(1,388,490)	(1,150,959)
Total Property, Plant and Equipment	9,745,092	9,890,950
<u>DEFERRED CHARGES</u>		
Bond Issuance Costs - Net of Amortization	28,526	29,414
TOTAL ASSETS	\$ 10,591,574	\$ 10,762,719

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND
COMPARATIVE BALANCE SHEET

	<u>FEBRUARY 28</u> <u>2005</u>	<u>FEBRUARY 29</u> <u>2004</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u> (Payable from Current Assets)		
Accounts Payable	\$ 2,497	\$ 0
Due to Other Funds		
General Fund	<u>15,474</u>	<u>11,682</u>
Total Current Liabilities Payable from Current Assets	<u>17,971</u>	<u>11,682</u>
<u>CURRENT LIABILITIES</u> (Payable from Restricted Assets)		
Current Portion of Revenue Bonds	<u>23,500</u>	<u>21,500</u>
<u>LONG-TERM LIABILITIES</u>		
Deferred Revenue	375,254	384,625
Revenue Bonds Payable (Net of Current Portion)	<u>1,727,500</u>	<u>1,751,000</u>
Total Long-Term Liabilities	<u>2,102,754</u>	<u>2,135,625</u>
Total Liabilities	2,144,225	2,168,807
<u>FUND EQUITY</u>		
Retained Earnings	<u>8,447,349</u>	<u>8,593,912</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 10,591,574</u>	<u>\$ 10,762,719</u>

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>			
Sewer Billings	\$ 398,000	\$ 376,885	\$ 393,593
<u>OPERATING EXPENSES</u>			
Administration	3,000	1,500	1,650
Wages and Fringe Benefits	92,000	89,595	89,330
Office Supplies	1,500	929	990
Postage	500	268	789
Legal Fees	1,500	0	165
Professional Services	2,000	1,400	1,300
Operating Supplies	30,500	18,747	20,067
Contracted Services - Operations Assistant	5,000	19,301	7,687
Lab Fees	5,500	3,894	1,744
Sludge Removal	23,000	0	0
Insurance	4,500	14,573	9,135
Electricity	62,000	44,500	58,445
Heat	15,000	11,219	13,618
Fuel Oil	1,000	1,092	31
Telephone	4,500	4,156	3,836
Lift Station Maintenance	15,000	2,464	17,193
Treatment Plant Maintenance	10,000	6,351	2,950
Equipment Rental	10,000	1,909	5,462
Education and Training	2,000	200	813
Dues and Subscriptions	500	0	0
Contingency	17,000	0	0
Depreciation	0	237,531	236,534
Total Operating Expenses	306,000	459,629	471,739
Operating Income (Loss)	92,000	(82,744)	(78,146)

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	5,000	7,879	3,568
Interest Expense	(102,000)	(82,513)	(83,519)
Amortization of Bond Issuance Costs	0	(885)	(885)
Connection Fees	5,000	11,700	450
Total Nonoperating Revenues (Expenses)	<u>(92,000)</u>	<u>(63,819)</u>	<u>(80,386)</u>
Net Income (Loss)	0	(146,563)	(158,532)
 <u>RETAINED EARNINGS - Beginning of Year</u>	 <u>8,593,912</u>	 <u>8,593,912</u>	 <u>8,752,444</u>
 <u>RETAINED EARNINGS - End of Year</u>	 \$ <u><u>8,593,912</u></u>	 \$ <u><u>8,447,349</u></u>	 \$ <u><u>8,593,912</u></u>

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 387,661	\$ 398,028
Cash Payments to Suppliers for Goods and Services	(219,793)	(235,949)
Net Cash Provided by (Used for) Operating Activities	167,868	162,079
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(91,670)	(801)
User Contributions	11,700	450
Principal Paid on Bonds	(21,500)	(21,500)
Interest Paid on Bonds	(82,513)	(83,519)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(183,983)	(105,370)
Cash Flows from Investing Activities		
Interest Income	7,879	3,568
Net Increase (Decrease) in Cash and Cash Equivalents	(8,236)	60,277
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	785,167	724,890
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 776,931	\$ 785,167
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (82,744)	\$ (78,146)
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization	237,531	236,534
(Increase) Decrease in Current Assets		
Accounts Receivable	20,147	13,304
Prepaid Expenses	(901)	(1,616)
Due from Other Funds	(3,083)	(1,000)
Increase (Decrease) in Current and Long-Term Liabilities		
Accounts Payable	2,497	0
Due to Other Funds	3,792	1,872
Deferred Revenue	(9,371)	(8,869)
Total Adjustments	250,612	240,225
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 167,868	\$ 162,079

VILLAGE OF BALDWIN, MICHIGAN

EQUIPMENT FUND
COMPARATIVE BALANCE SHEET

	<u>FEBRUARY 28</u>	<u>FEBRUARY 29</u>
	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 79,572	\$ 107,756
Prepaid Expenses	4,499	4,209
Total Current Assets	<u>84,071</u>	<u>111,965</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Machinery and Equipment	315,119	312,872
Accumulated Depreciation	<u>(185,934)</u>	<u>(237,172)</u>
Total Property, Plant and Equipment	<u>129,185</u>	<u>75,700</u>
TOTAL ASSETS	<u>\$ 213,256</u>	<u>\$ 187,665</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 910	\$ 0
Due to General Fund	5,125	4,617
Due to Major Street Fund	7,712	0
Due to Local Street Fund	10,427	0
Due to Sewer Fund	510	0
Due to Water Fund	<u>2,524</u>	<u>0</u>
Total Liabilities	27,208	4,617
<u>FUND EQUITY</u>		
Retained Earnings	<u>186,048</u>	<u>183,048</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 213,256</u>	<u>\$ 187,665</u>

VILLAGE OF BALDWIN, MICHIGAN

EQUIPMENT FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>			
Charges for Services			
Equipment Rental	\$ 76,400	\$ 46,642	\$ 62,039
<u>OPERATING EXPENSES</u>			
Administration	250	0	0
Professional Services	1,000	800	825
Operating Supplies	2,000	1,146	776
Gasoline and Oil	6,050	7,577	6,239
Insurance	2,500	4,209	3,293
Utilities			
Electricity	2,700	2,769	2,724
Heat	1,400	1,504	1,174
Telephone	1,200	1,382	1,137
Repairs and Maintenance			
Equipment Repairs	20,000	11,683	19,954
Building Repairs	2,500	0	0
Capital Outlay	37,900	0	0
Depreciation	0	15,229	19,816
Total Operating Expenses	77,500	46,299	55,938
Operating Income (Loss)	(1,100)	343	6,101
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	600	759	556
Gain on Sale of Fixed Assets	500	1,898	0
Total Non-Operating Revenues (Expenses)	1,100	2,657	556
Net Income (Loss)	0	3,000	6,657
<u>RETAINED EARNINGS - Beginning of Year</u>	168,011	183,048	176,391
<u>RETAINED EARNINGS - End of Year</u>	\$ 168,011	\$ 186,048	\$ 183,048

VILLAGE OF BALDWIN, MICHIGAN

EQUIPMENT FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED

	<u>FEBRUARY 28</u> <u>2005</u>	<u>FEBRUARY 29</u> <u>2004</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Interfund Services Provided	\$ 68,323	\$ 62,039
Cash Payments to Suppliers for Goods and Services	(30,450)	(36,010)
Net Cash Provided by (Used for) Operating Activities	37,873	26,029
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(71,700)	(37,071)
Cash Received from Sale of Capital Assets	4,885	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(66,815)	(37,071)
Cash Flows from Investing Activities:		
Interest Income	758	556
Net Increase (Decrease) in Cash and Cash Equivalents	(28,184)	(10,486)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	107,756	118,242
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 79,572	\$ 107,756
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ 343	\$ 6,101
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization	15,229	19,816
(Increase) Decrease in Current Assets		
Prepaid Expenses	(290)	(1,324)
Increase (Decrease) in Current Liabilities		
Accounts Payable	910	(296)
Due to Other Funds	21,681	1,732
Total Adjustments	37,530	19,928
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 37,873	\$ 26,029

VILLAGE OF BALDWIN, MICHIGAN
FIDUCIARY FUND
IMPREST PAYROLL FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED FEBRUARY 28, 2005

	MARCH 1				FEBRUARY 28
	2004	ADDITIONS	DEDUCTIONS		2005
<u>ASSETS</u>					
Cash	\$ 1,507	\$ 386,267	\$ 374,499	\$	13,275
<u>LIABILITIES</u>					
Payroll Withholdings	(1,616)	92,762	91,194		(48)
Accrued Payroll Taxes	952	17,907	18,084		775
Due to Other Funds					
General Fund	658	93,547	90,147		4,058
Major Streets Fund	0	12,080	11,878		202
Local Streets Fund	0	15,837	15,346		491
Fire Fund	108	2,040	2,041		107
Sewer Fund	767	104,981	101,408		4,340
Water Fund	638	71,263	68,551		3,350
TOTAL LIABILITIES	\$ 1,507	\$ 410,417	\$ 398,649	\$	13,275

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY FUNDS
COMBINING BALANCE SHEET

FEBRUARY 28, 2005
WITH COMPARATIVE TOTALS FOR FEBRUARY 29, 2004

	OPERATING	DEBT RETIREMENT	TOTALS	
	FUND	FUND	2005	2004
<u>ASSETS</u>				
Cash	\$ 53,204	\$ 2,518	\$ 55,722	\$ 55,771
Receivable				
Accounts	0	0	0	548
Property Taxes	75,550	0	75,550	70,881
TOTAL ASSETS	\$ 128,754	\$ 2,518	\$ 131,272	\$ 127,200
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Deferred Revenue	\$ 62,773	\$ 0	\$ 62,773	\$ 8,779
Due to Primary Government				
General Fund	62,750	0	62,750	102,750
Total Liabilities	125,523	0	125,523	111,529
<u>FUND BALANCE</u>				
Reserved for Debt Service	0	2,518	2,518	2,505
Unreserved	3,231	0	3,231	13,166
Total Fund Balances	3,231	2,518	5,749	15,671
TOTAL LIABILITIES AND FUND BALANCE	\$ 128,754	\$ 2,518	\$ 131,272	\$ 127,200

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE TOTALS FOR YEAR ENDED FEBRUARY 29, 2004

	OPERATING	DEBT	TOTALS	
	FUND	RETIREMENT	2005	2004
	FUND	FUND		
<u>REVENUES</u>				
Taxes	\$ 87,829	\$ 0	\$ 87,829	\$ 146,386
Interest and Rents	153	13	166	17
Grants	0	0	0	2,500
Other Revenue	0	0	0	1,499
Total Revenues	87,982	13	87,995	150,402
<u>EXPENDITURES</u>				
General Government	17,498	0	17,498	13,954
Capital Outlay	0	0	0	70,541
Debt Retirement	826	79,593	80,419	81,243
Total Expenditures	18,324	79,593	97,917	165,738
Excess of Revenues Over (Under) Expenditures	69,658	(79,580)	(9,922)	(15,336)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in (Out)	(79,593)	79,593	0	0
Net Change in Fund Balance	(9,935)	13	(9,922)	(15,336)
<u>FUND BALANCE - Beginning of Year</u>	13,166	2,505	15,671	31,007
<u>FUND BALANCE - End of Year</u>	\$ 3,231	\$ 2,518	\$ 5,749	\$ 15,671

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY OPERATING FUND

COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>ASSETS</u>		
Cash	\$ 53,204	\$ 53,266
Receivables		
Accounts	0	548
Property Taxes	75,550	70,881
TOTAL ASSETS	\$ 128,754	\$ 124,695
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 62,773	\$ 8,779
Due to Primary Government		
General Fund	62,750	102,750
Total Liabilities	125,523	111,529
<u>FUND BALANCE</u>		
Unreserved	3,231	13,166
TOTAL LIABILITIES AND FUND BALANCE	\$ 128,754	\$ 124,695

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY OPERATING FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED

	<u>FEBRUARY 28</u> <u>2005</u>	<u>FEBRUARY 29</u> <u>2004</u>
<u>REVENUES</u>		
Taxes		
Current Property Tax Levy	\$ 79,050	\$ 126,296
Delinquent Taxes	8,779	20,090
Interest and Rents		
Interest	153	4
Grants		
Lake County Road Commission	0	2,500
Other Revenue		
Reimbursements	0	1,499
Total Revenues	<u>87,982</u>	<u>150,389</u>
<u>EXPENDITURES</u>		
General Government		
Office Supplies	0	27
Printing and Publishing	495	127
Insurance-Bond	170	171
Professional Services	1,300	1,400
Legal	0	1,093
Contracted Services	11,202	11,136
Maintenance	3,118	0
Water	1,213	0
Capital Outlay		
Streetscape	0	57,335
Other	0	13,206
Debt Service		
Interest	826	0
Total Expenditures	<u>18,324</u>	<u>84,495</u>
Excess of Revenues Over (Under) Expenditures	69,658	65,894
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out		
Debt Service Fund	<u>(79,593)</u>	<u>(80,173)</u>
Net Change in Fund Balance	(9,935)	(14,279)
<u>FUND BALANCE - Beginning of Year</u>	<u>13,166</u>	<u>27,445</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 3,231</u>	<u>\$ 13,166</u>

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2005	FEBRUARY 29 2004
<u>ASSETS</u>		
Cash	\$ 2,518	\$ 2,505
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Debt Service	2,518	2,505
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,518	\$ 2,505

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED,

	FEBRUARY 28 2005	FEBRUARY 29 2004
<hr/>		
<u>REVENUES</u>		
Interest and Rents		
Interest	\$ 13	\$ 13
<hr/>		
<u>EXPENDITURES</u>		
Debt Service		
Principal	30,000	30,000
Interest and Fiscal Charges	49,303	50,953
Paying Agent Fees	290	290
<hr/>		
Total Expenditures	79,593	81,243
<hr/>		
Excess of Revenues Over (Under) Expenditures	(79,580)	(81,230)
<hr/>		
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In		
Operating Fund	79,593	80,173
<hr/>		
Net Change in Fund Balance	13	(1,057)
<hr/>		
<u>FUND BALANCE - Beginning of Year</u>	2,505	3,562
<hr/>		
<u>FUND BALANCE - End of Year</u>	\$ 2,518	\$ 2,505
<hr/>		

VILLAGE OF BALDWIN, MICHIGAN

STATEMENT OF 2004 PROPERTY TAX ROLL
YEAR ENDED FEBRUARY 28, 2005

TAXES ASSESSED (Taxable Valuation \$8,967,454) *

General Fund - 14.785 Mills	\$	132,580
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TAXES COLLECTED

General Fund		<u>113,899</u>
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TAXES RETURNED DELINQUENT

General Fund	\$	<u><u>18,681</u></u>
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* Total Taxable Valuation	\$	13,449,937
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Less Downtown Development		
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Authority Capture		<u>4,482,483</u>
	\$	<u><u>8,967,454</u></u>

VILLAGE OF BALDWIN, MICHIGAN

STATEMENT OF 2004 TAX INCREMENT FINANCING TAX ROLL
YEAR ENDED FEBRUARY 28, 2005

SUMMER TAX ROLL

TAXES ASSESSED (Captured Taxable Valuation \$4,482,483)

Downtown Development Authority - 14.785 Mills	\$	66,274
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TAXES COLLECTED

Downtown Development Authority		66,274
		<hr/>

TAXES RETURNED DELINQUENT

Downtown Development Authority	\$	0
		<hr/> <hr/>

WINTER TAX ROLL

	CAPTURED TAXABLE VALUE	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
Webber Township		\$ 12,543	\$ 0	\$ 12,543
Pleasant Plains Township		11,476	0	11,476
Lake County		51,530	0	51,530
		<hr/>		
	\$ 4,482,483	\$ 75,549	\$ 0	\$ 75,549
		<hr/> <hr/>		

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

TITLE OF ISSUE	Water Supply System Revenue Bonds		
PURPOSE	Defraying part of the cost of acquiring and constructing improvements to the Water Supply System		
DATE OF ISSUE	April 14, 1981		
INTEREST RATE	5.00%		
INTEREST PAYABLE	January 1st and July 1st of each year		
AMOUNT OF ISSUE		\$	455,000
BONDS RETIRED			
Prior Years	\$	177,000	
Current Year		<u>13,000</u>	<u>190,000</u>
BALANCE OUTSTANDING - February 28, 2005		\$	<u><u>265,000</u></u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
July 1, 2005	\$ 6,625	\$ 6,625	
January 1, 2006	19,625	6,625	\$ 13,000
July 1, 2006	6,300	6,300	
January 1, 2007	20,300	6,300	14,000
July 1, 2007	5,950	5,950	
January 1, 2008	20,950	5,950	15,000
July 1, 2008	5,575	5,575	
January 1, 2009	21,575	5,575	16,000
July 1, 2009	5,175	5,175	
January 1, 2010	21,175	5,175	16,000
July 1, 2010	4,775	4,775	
January 1, 2011	21,775	4,775	17,000

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
July 1, 2011	4,350	4,350	
January 1, 2012	22,350	4,350	18,000
July 1, 2012	3,900	3,900	
January 1, 2013	22,900	3,900	19,000
July 1, 2013	3,425	3,425	
January 1, 2014	23,425	3,425	20,000
July 1, 2014	2,925	2,925	
January 1, 2015	23,925	2,925	21,000
July 1, 2015	2,400	2,400	
January 1, 2016	24,400	2,400	22,000
July 1, 2016	1,850	1,850	
January 1, 2017	24,850	1,850	23,000
July 1, 2017	1,275	1,275	
January 1, 2018	25,275	1,275	24,000
July 1, 2018	675	675	
January 1, 2019	27,675	675	27,000
	<u>\$ 375,400</u>	<u>\$ 110,400</u>	<u>\$ 265,000</u>

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>TITLE OF ISSUE</u>	Water Supply System Revenue Bonds
<u>PURPOSE</u>	Defraying part of the cost of acquiring and constructing improvements to the Water Supply System.
<u>DATE OF ISSUE</u>	September 23, 2003
<u>INTEREST RATE</u>	4.25%
<u>INTEREST PAYABLE</u>	May 1st and November 1st of each year
<u>AMOUNT OF ISSUE</u>	\$ 1,254,000
<u>BONDS RETIRED</u>	
Prior Years	\$ 0
Current Year	<u>0</u>
<u>BALANCE OUTSTANDING - February 28, 2005</u>	\$ <u><u>1,254,000</u></u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2005	\$ 33,648	\$ 26,648	\$ 7,000
November 1, 2005	26,499	26,499	
May 1, 2006	33,499	26,499	7,000
November 1, 2006	26,350	26,350	
May 1, 2007	33,350	26,350	7,000
November 1, 2007	26,201	26,201	
May 1, 2008	33,201	26,201	7,000
November 1, 2008	26,053	26,053	
May 1, 2009	34,052	26,052	8,000
November 1, 2009	25,883	25,883	
May 1, 2010	33,882	25,882	8,000
November 1, 2010	25,713	25,713	
May 1, 2011	33,712	25,712	8,000
November 1, 2011	25,543	25,543	
May 1, 2012	33,543	25,543	8,000
November 1, 2012	25,373	25,373	
May 1, 2013	33,372	25,372	8,000
November 1, 2013	25,203	25,203	

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2014	34,202	25,202	9,000
November 1, 2014	25,011	25,011	
May 1, 2015	34,011	25,011	9,000
November 1, 2015	24,820	24,820	
May 1, 2016	33,820	24,820	9,000
November 1, 2016	24,629	24,629	
May 1, 2017	34,629	24,629	10,000
November 1, 2017	24,416	24,416	
May 1, 2018	34,416	24,416	10,000
November 1, 2018	24,204	24,204	
May 1, 2019	49,204	24,204	25,000
November 1, 2019	23,673	23,673	
May 1, 2020	49,672	23,672	26,000
November 1, 2020	23,120	23,120	
May 1, 2021	50,120	23,120	27,000
November 1, 2021	22,546	22,546	
May 1, 2022	51,546	22,546	29,000
November 1, 2022	21,930	21,930	
May 1, 2023	51,930	21,930	30,000
November 1, 2023	21,293	21,293	
May 1, 2024	53,292	21,292	32,000
November 1, 2024	20,613	20,613	
May 1, 2025	53,612	20,612	33,000
November 1, 2025	19,911	19,911	
May 1, 2026	54,911	19,911	35,000
November 1, 2026	19,168	19,168	
May 1, 2027	55,167	19,167	36,000
November 1, 2027	18,403	18,403	
May 1, 2028	56,402	18,402	38,000
November 1, 2028	17,595	17,595	
May 1, 2029	57,595	17,595	40,000
November 1, 2029	16,745	16,745	
May 1, 2030	57,745	16,745	41,000
November 1, 2030	15,874	15,874	
May 1, 2031	59,874	15,874	44,000
November 1, 2031	14,939	14,939	
May 1, 2032	60,939	14,939	46,000
November 1, 2032	13,961	13,961	

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2033	61,961	13,961	48,000
November 1, 2033	12,941	12,941	
May 1, 2034	61,941	12,941	49,000
November 1, 2034	11,900	11,900	
May 1, 2035	63,900	11,900	52,000
November 1, 2035	10,795	10,795	
May 1, 2036	64,795	10,795	54,000
November 1, 2036	9,648	9,648	
May 1, 2037	65,647	9,647	56,000
November 1, 2037	8,458	8,458	
May 1, 2038	67,457	8,457	59,000
November 1, 2038	7,204	7,204	
May 1, 2039	69,204	7,204	62,000
November 1, 2039	5,886	5,886	
May 1, 2040	70,886	5,886	65,000
November 1, 2040	4,505	4,505	
May 1, 2041	72,505	4,505	68,000
November 1, 2041	3,060	3,060	
May 1, 2042	74,060	3,060	71,000
November 1, 2042	1,551	1,551	
May 1, 2043	74,551	1,551	73,000
	\$ 2,683,870	\$ 1,429,870	\$ 1,254,000

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>TITLE OF ISSUE</u>	Sanitary Sewer System Revenue Bonds
<u>PURPOSE</u>	Construction of Sanitary Sewer System
<u>DATE OF ISSUE</u>	March 8, 1996
<u>INTEREST RATE</u>	5.00%
<u>INTEREST PAYABLE</u>	March 1st and September 1st of each year

<u>AMOUNT OF ISSUE</u>	\$ 855,000
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BONDS RETIRED

Prior Years	\$ 60,500	
Current Year	<u>10,500</u>	<u>71,000</u>

<u>BALANCE OUTSTANDING - February 28, 2005</u>	\$ <u><u>784,000</u></u>
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<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2005	\$ 19,600	\$ 19,600	
March 1, 2006	31,100	19,600	\$ 11,500
September 1, 2006	19,312	19,312	
March 1, 2007	30,812	19,312	11,500
September 1, 2007	19,025	19,025	
March 1, 2008	30,525	19,025	11,500
September 1, 2008	18,737	18,737	
March 1, 2009	31,237	18,737	12,500
September 1, 2009	18,425	18,425	
March 1, 2010	31,425	18,425	13,000
September 1, 2010	18,100	18,100	
March 1, 2011	32,100	18,100	14,000
September 1, 2011	17,750	17,750	
March 1, 2012	33,250	17,750	15,500

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2012	17,362	17,362	
March 1, 2013	32,862	17,362	15,500
September 1, 2013	16,975	16,975	
March 1, 2014	33,475	16,975	16,500
September 1, 2014	16,562	16,562	
March 1, 2015	33,562	16,562	17,000
September 1, 2015	16,137	16,137	
March 1, 2016	34,137	16,137	18,000
September 1, 2016	15,687	15,687	
March 1, 2017	34,687	15,687	19,000
September 1, 2017	15,212	15,212	
March 1, 2018	35,712	15,212	20,500
September 1, 2018	14,700	14,700	
March 1, 2019	35,200	14,700	20,500
September 1, 2019	14,187	14,187	
March 1, 2020	36,187	14,187	22,000
September 1, 2020	13,637	13,637	
March 1, 2021	36,638	13,638	23,000
September 1, 2021	13,063	13,063	
March 1, 2022	37,063	13,063	24,000
September 1, 2022	12,463	12,463	
March 1, 2023	37,963	12,463	25,500
September 1, 2023	11,825	11,825	
March 1, 2024	38,325	11,825	26,500
September 1, 2024	11,163	11,163	
March 1, 2025	39,163	11,163	28,000
September 1, 2025	10,463	10,463	
March 1, 2026	39,963	10,463	29,500
September 1, 2026	9,725	9,725	
March 1, 2027	40,225	9,725	30,500
September 1, 2027	8,963	8,963	
March 1, 2028	40,963	8,963	32,000
September 1, 2028	8,163	8,163	
March 1, 2029	42,663	8,163	34,500
September 1, 2029	7,300	7,300	
March 1, 2030	42,800	7,300	35,500

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2030	6,413	6,413	
March 1, 2031	44,413	6,413	38,000
September 1, 2031	5,463	5,463	
March 1, 2032	44,963	5,463	39,500
September 1, 2032	4,475	4,475	
March 1, 2033	46,475	4,475	42,000
September 1, 2033	3,425	3,425	
March 1, 2034	46,925	3,425	43,500
September 1, 2034	2,338	2,338	
March 1, 2035	47,838	2,338	45,500
September 1, 2035	1,200	1,200	
March 1, 2036	49,200	1,200	48,000
	<u>\$ 1,559,701</u>	<u>\$ 775,701</u>	<u>\$ 784,000</u>

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>TITLE OF ISSUE</u>	Sanitary Sewer System Revenue Bonds
<u>PURPOSE</u>	Construction of Sanitary Sewer System
<u>DATE OF ISSUE</u>	June 3, 2000
<u>INTEREST RATE</u>	4.38%
<u>INTEREST PAYABLE</u>	March 1st and September 1st of each year
<u>AMOUNT OF ISSUE</u>	\$ 1,016,000
<u>BONDS RETIRED</u>	
Prior Years	\$ 38,000
Current Year	<u>11,000</u> 49,000
<u>BALANCE OUTSTANDING - February 28, 2005</u>	\$ <u>967,000</u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2005	\$ 21,153	\$ 21,153	
March 1, 2006	33,153	21,153	\$ 12,000
September 1, 2006	20,891	20,891	
March 1, 2007	32,891	20,891	12,000
September 1, 2007	20,628	20,628	
March 1, 2008	33,628	20,628	13,000
September 1, 2008	20,344	20,344	
March 1, 2009	34,344	20,344	14,000
September 1, 2009	20,038	20,038	
March 1, 2010	34,038	20,038	14,000
September 1, 2010	19,731	19,731	
March 1, 2011	34,731	19,731	15,000
September 1, 2011	19,403	19,403	
March 1, 2012	35,403	19,403	16,000
September 1, 2012	19,053	19,053	
March 1, 2013	35,053	19,053	16,000
September 1, 2013	18,703	18,703	

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
March 1, 2014	35,703	18,703	17,000
September 1, 2014	18,331	18,331	
March 1, 2015	36,331	18,331	18,000
September 1, 2015	17,938	17,938	
March 1, 2016	36,938	17,938	19,000
September 1, 2016	17,522	17,522	
March 1, 2017	37,522	17,522	20,000
September 1, 2017	17,084	17,084	
March 1, 2018	38,084	17,084	21,000
September 1, 2018	16,625	16,625	
March 1, 2019	38,625	16,625	22,000
September 1, 2019	16,144	16,144	
March 1, 2020	39,144	16,144	23,000
September 1, 2020	15,641	15,641	
March 1, 2021	39,641	15,641	24,000
September 1, 2021	15,116	15,116	
March 1, 2022	40,116	15,116	25,000
September 1, 2022	14,569	14,569	
March 1, 2023	40,569	14,569	26,000
September 1, 2023	14,000	14,000	
March 1, 2024	42,000	14,000	28,000
September 1, 2024	13,388	13,388	
March 1, 2025	42,388	13,388	29,000
September 1, 2025	12,753	12,753	
March 1, 2026	42,753	12,753	30,000
September 1, 2026	12,097	12,097	
March 1, 2027	44,097	12,097	32,000
September 1, 2027	11,397	11,397	
March 1, 2028	44,397	11,397	33,000
September 1, 2028	10,675	10,675	
March 1, 2029	45,675	10,675	35,000
September 1, 2029	9,909	9,909	
March 1, 2030	46,909	9,909	37,000
September 1, 2030	9,100	9,100	
March 1, 2031	47,100	9,100	38,000
September 1, 2031	8,269	8,269	
March 1, 2032	48,269	8,269	40,000

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2032	7,394	7,394	
March 1, 2033	49,394	7,394	42,000
September 1, 2033	6,475	6,475	
March 1, 2034	50,475	6,475	44,000
September 1, 2034	5,513	5,513	
March 1, 2035	51,513	5,513	46,000
September 1, 2035	4,506	4,506	
March 1, 2036	52,506	4,506	48,000
September 1, 2036	3,456	3,456	
March 1, 2037	54,456	3,456	51,000
September 1, 2037	2,341	2,341	
March 1, 2038	55,341	2,341	53,000
September 1, 2038	1,181	1,181	
March 1, 2039	55,181	1,181	54,000
	\$ 1,889,736	\$ 922,736	\$ 967,000

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY TAX INCREMENT BONDS PAYABLE
FEBRUARY 28, 2005

<u>TITLE OF ISSUE</u>	Tax Increment Bonds-Series 2002		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of paying part of the cost of a		
<u>DATE OF ISSUE</u>	April 1, 2002		
<u>INTEREST PAYABLE</u>	April 1, and October 1, of Each Year		
<u>AMOUNT OF ISSUE</u>		\$	995,000
<u>AMOUNT REDEEMED</u>			
Current Year	\$	60,000	
Prior Years		<u>30,000</u>	<u>90,000</u>
<u>BALANCE OUTSTANDING</u>	February 28, 2005	\$	<u><u>905,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
April 1, 2005		\$ 23,827	\$ 23,827	
October 1, 2005	5.50%	63,827	23,827	\$ 40,000
April 1, 2006		22,727	22,727	
October 1, 2006	5.50%	62,727	22,727	40,000
April 1, 2007		21,627	21,627	
October 1, 2007	5.50%	61,627	21,627	40,000
April 1, 2008		20,527	20,527	
October 1, 2008	5.50%	70,527	20,527	50,000
April 1, 2009		19,152	19,152	
October 1, 2009	5.50%	69,152	19,152	50,000
April 1, 2010		17,777	17,777	
October 1, 2010	5.50%	67,777	17,777	50,000
April 1, 2011		16,402	16,402	
October 1, 2011	5.00%	76,402	16,402	60,000
April 1, 2012		14,902	14,902	
October 1, 2012	5.00%	74,902	14,902	60,000
April 1, 2013		13,402	13,402	
October 1, 2013	5.00%	73,402	13,402	60,000
April 1, 2014		11,902	11,902	
October 1, 2014	5.10%	81,902	11,902	70,000
April 1, 2015		10,117	10,117	

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY TAX INCREMENT BONDS PAYABLE
FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
October 1, 2015	5.15%	80,117	10,117	70,000
April 1, 2016		8,314	8,314	
October 1, 2016	5.20%	78,314	8,314	70,000
April 1, 2017		6,494	6,494	
October 1, 2017	5.25%	86,494	6,494	80,000
April 1, 2018		4,394	4,394	
October 1, 2018	5.30%	84,394	4,394	80,000
April 1, 2019		2,274	2,274	
October 1, 2019	5.35%	87,274	2,274	85,000
		<u>\$ 1,332,676</u>	<u>\$ 427,676</u>	<u>\$ 905,000</u>

DENOMINATIONS

\$5,000 Each, or any Integral Multiple Thereof.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of the Bonds in multiples of

Bonds called for redemption on or after October 1, 2010

SECURITY

The bonds are payable solely from the pledged tax

The full faith and credit of the Villlage has not been
pledged to secure repayment of the bonds.

VILLAGE OF BALDWIN

BALDWIN, MICHIGAN

SINGLE AUDIT

FEBRUARY 28, 2005

VILLAGE OF BALDWIN
BALDWIN, MICHIGAN

SINGLE AUDIT
YEAR ENDED FEBRUARY 28, 2005

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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JOHN F. TAYLOR, C.P.A.
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SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

June 6, 2005

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Village Council
Village of Baldwin
Baldwin, Michigan

COMPLIANCE

We have audited the compliance of the Village of Baldwin with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended February 28, 2005. The Village of Baldwin major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Baldwin's management. Our responsibility is to express an opinion on the Village of Baldwin's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Baldwin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Baldwin's compliance with those requirements.

In our opinion, the Village of Baldwin complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2005.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Village of Baldwin is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Baldwin's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the Village of Baldwin as of and for the year ended February 28, 2005, and have issued our report thereon dated June 6, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information use of the Village Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF BALDWIN
BALDWIN, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2005

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE / GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE MARCH 1, 2004	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE FEBRUARY 28, 2005	ADJUSTMENTS
U.S. Department of Agriculture								
Passed Through Rural Utilities Service								
Water and Waste Disposal Systems for Rural Communities								
Grant - Project Number G01177	10.760	\$ 3,762,000	\$ 126,433	\$ 1,009,133	\$ 2,486,886	\$ 2,467,600	\$ 145,719	\$ 0
Total U.S. Department of Agriculture		3,762,000	126,433	1,009,133	2,486,886	2,467,600	145,719	0
U.S. Department of Housing and Urban Development								
Passed Through State of Michigan-Michigan Strategic Fund								
Community Development Block Grants								
Towne Central Drive Downtown Development Project								
Project Number - MSC 20318-EDIG	14.228	220,000	0	0	19,433	19,433	0	0
Total U.S. Department of Housing and Urban Development		220,000	0	0	19,433	19,433	0	0
Federal Emergency Management Agency								
Direct								
Assistance to Firefighters Program								
Project Number - EMW-2003-FG-05062	83.554	83,520	0	0	83,520	83,520	0	0
Total Federal Emergency Management Agency		83,520	0	0	83,520	83,520	0	0
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 4,065,520	\$ 126,433	\$ 1,009,133	\$ 2,589,839	\$ 2,570,553	\$ 145,719	\$ 0

VILLAGE OF BALDWIN
BALDWIN, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2005

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting and presents transactions in the same manner as reflected in the Proprietary Funds of the general-purpose financial statements of the village. The significant accounting policies used are described in footnote (I) to the February 28, 2005, basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Federal Revenue Per Statement of Revenues, Expenditures
and Changes in Fund Balances Page 6 of the Basic Financial
Statements

Federal Grants	\$ 102,953
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Federal Revenue Per Statement of Revenues, Expenses and
Changes in Fund Net Assets page 12 of Basic Financial
Statements

Nonoperating Revenues - Grants	<u>2,486,886</u>
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Total Current Year Expenditures Per Schedule of
Expenditures of Federal Awards

\$ <u><u>2,589,839</u></u>

Baird, Cotter and Bishop, P.C.

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June 6, 2005

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Baldwin
Baldwin, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the Village of Baldwin, Michigan as of and for the year ended February 28, 2005, which collectively comprise the Village of Baldwin, Michigan's basic financial statements and have issued our report thereon dated June 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Village of Baldwin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village of Baldwin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the Village of Baldwin's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item B-a.

INTERNAL CONTROL OVER FINANCIAL REPORTING

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the Management of the Village of Baldwin in a separate letter dated June 6, 2005.

This report is intended solely for the information and use of the Village Council, management and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF BALDWIN
BALDWIN, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2005

Reportable Conditions:

- a The relatively small number of people involved in the accounting functions of the Village make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not feasible for the council to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The reportable condition noted above was considered to be a material weakness.

This finding has been repeated in the current year

VILLAGE OF BALDWIN
BALDWIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2005

A. SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expressed a unqualified opinion on the basic financial statements of the Village of Baldwin.
2. A reportable condition was disclosed during the audit of the basic financial statements and it was considered to be a material weakness (see item B-a below).
3. No instances of noncompliance material to the basic financial statements of the Village of Baldwin were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Village of Baldwin expresses an unqualified opinion.
6. There were no findings relative to the major federal award programs for the Village of Baldwin as reported in Part C of this Schedule.
7. The programs tested as major programs included:

Water and Waste Disposal Systems for Rural Communities - CFDA Number 10.760

8. The dollar threshold for distinguishing Types A and B programs was \$300,000.
9. Village of Baldwin did not qualify as a low-risk auditee.

B. FINDINGS - BASIC FINANCIAL STATEMENTS AUDIT

Reportable Conditions:

- a The relatively small number of people involved in the accounting functions of the Village make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not feasible for the council to establish a larger accounting staff in order to implement proper segregation of duties.

VILLAGE OF BALDWIN
BALDWIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2005

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The reportable condition noted above was considered to be a material weakness.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2005

To the President and Village Council
Village of Baldwin, Michigan

During the course of our examination of the financial statements and records of the Village of Baldwin, Michigan for the year ended February 28, 2005, we noted the following items which we would like to bring to your attention:

Government Accounting Standards Board (GASB) Statement 34

GASB has issued Statement 34 which is a new accounting pronouncement. This new pronouncement became effective for the Village for the first time this year. The statement required many changes to the format of the Village's financial statements.

There are several areas of financial statement presentation that are quite different from the financial statement presentation in the past. Some of the more significant changes from the prior year include:

1. A Management Discussion and Analysis. This section located in the front of the financial report includes the administration's narrative overview of the more detailed information contained in the financial statements.
2. Several new Government Wide statements that provide a perspective of all of the activities of the Village. Some of these statements include the capital assets as well as a provision for depreciation of those assets of the Village as well as all long-term liabilities of the Village.

There are several other changes that resulted from the implementation of GASB 34 and we would be happy to discuss them further with the management in greater detail as requested.

Reconciliation of Certificates of Deposit

The Village currently has several certificates of deposit that accrue interest on a monthly basis. Currently the interest accumulated for the year does not get recorded until year end.

We recommend the interest be recorded in the accounting records as it accrues so that the Village will have a better idea as to the total cash assets available at any particular period of the year.

Classification of General Fund Expenditures

The Village allocates the annual appropriations budget to several different governmental functions that provides for a meaningful representation of how the resources of the Village are to be spent on an annual basis. Much of the allocation of the actual expenditures tends to be allocated under the Village Council category rather than the different governmental functions set forth in the annual budget.

We recommend the Village allocate the actual expenditures to the same governmental functions that have been provided for in the annual budget so that a more meaningful analysis of the actual expenditures to what has been budgeted can occur. Than the budget can be amended as necessary whenever actual results will differ from what was anticipated in the original budget.

Grant Documentation

The Village is fortunate to have access to many different resources and consultants to aid in helping to facilitate and administer the various requirements of the many grants that are awarded to the Village on an annual basis. As a result, there are instances whereby documentation such as grant agreements are not immediately available at the Village Hall.

Since the Village is ultimately responsible for making sure they are in compliance with the multitude of rules and regulations certified to as a condition of receipt of grant funds, it is important that all necessary documentation be conveniently available. We suggest that a copy of all important supporting documentation be securely archived at the Village Hall so that it can be easily retrieved for review as needed.

Volunteer Fire Department Bank Account

The Baldwin Volunteer Fire Department currently has a checking account that is reported under the same federal identification number as the Village. Since, the Baldwin Volunteer Fire Department is organized as a tax exempt entity separate from the Village and maintains its own records we suggest that the checking account be changed to a federal identification number of the Baldwin Volunteer Fire Department rather than the Village in order to avoid confusion as to the custody and accounting for those assets.

We wish to express our appreciation for the cooperation and courtesy extended to our staff by the Village employees during the course of our examination. In addition, we would like to thank the Village Council for giving us this opportunity to serve you. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.